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ABSTRACT

This book, a collection of six papers by different authors, examines grants consolidation or the combining of several categorical programs into a single broader category serving the same target populations. According to the book, grants consolidation is seen as a possible compromise between the extremes of narrow categorical aid and unrestricted general revenue sharing. Section 1 offers different frameworks for viewing grants consolidation and for evaluating the probable consequences. Section 2 examines the strengths and weaknesses of the categorical system and available policy options. A final section focuses on the potential effects of grants consolidation on the educational system. An annotated bibliography is included. (Author/LD)

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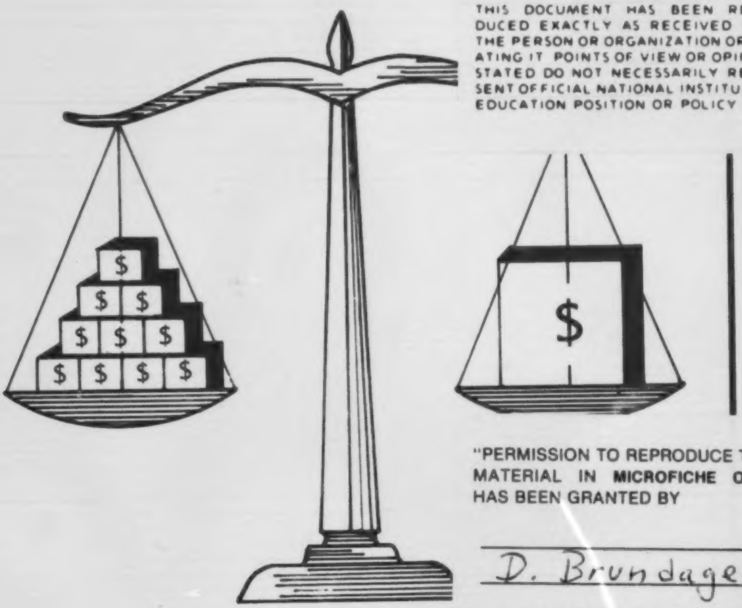
GRANTS CONSOLIDATION

A New Balance in Federal Aid to Schools?



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GRANTS CONSOLIDATION

A New Balance in Federal Aid to Schools?

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Foreword

Despite its traditional junior role in general school finance, the federal government has become a significant force in American education. At the elementary and secondary levels, federal expenditures rose from $642 million in 1960 to over $8 billion in 1978, a ten-fold increase and a seven to eight percent slice of *all* school expenditures. Not content to play the silent banker, the federal government has also directed how school districts should spend its contribution. Thus was born one of the great educational debates of the 1970s—how much control should be maintained at the federal level and how much discretion should remain in state and local education agencies? Should there be narrow, carefully regulated categorical grants or broadly defined block grants or revenue sharing?

On one side of the issue stand many states and local districts who argue that federal regulations are an unwarranted intrusion into local decisionmaking. To them, the regulations are needlessly stringent, require inordinate amounts of paperwork, and ignore the diverse needs and strengths of state and local districts. Federal money, they argue, should arrive with as few strings as possible. The states and localities should decide how to allocate the money.

On the other side stands a broad array of persons who argue that the federal government should use its limited resources to achieve national goals. Representatives of special interest groups point out—with much justification—that the federal government respects the needs of educationally and economically disadvantaged as many of the states do not. If states were free to spend federal money as they wish, these and other federal priorities would suffer. Economists point out that the more carefully and tightly the federal government targets its aid, the more likely it is to stimulate rather than supplant local and state spending. Many Members of Congress, too, believe that the federal government must maintain control over how and in what ways recipients will spend federal funds.

The question of how to "package" federal aid often arises in an "either-or" fashion—that is, either targeted categorical aid with detailed federal regulations or general revenue sharing with states and localities making virtually all decisions on distribution. But there are many gradations between each of these polar positions. The more a funding proposal emphasizes state decisionmaking with limited federal regulations, the more it approaches general aid, and the more it delineates specific target populations and restricts the discretion of the states, the more it approaches categorical aid. At each point along the line of the continuum there is at least one example in federal education policy. It is unlikely that any one approach will predominate in the near future. The conflicting demands of educational interest groups, the continually evolving nature of federal-state relations, and the complexities of Congressional policymaking surely limit the possibility of such unified procedural policy.

There is nonetheless considerable interest in grants consolidation as a possible compromise position between the extremes of narrow categorical aid and unrestricted general revenue sharing. Although a precise definition of grants consolidation is not possible, the process generally involves the "combining" of several categorical programs into a single broader category serving the same target populations. Proponents of consolidation argue that national priorities remain intact, while states and local educational agencies have greater flexibility, more opportunities for comprehensive planning, and a reprieve from burdensome paperwork.

The most recent serious effort in this direction was a U.S. Senate-originated proposal that arose during consideration of the Education Amendments of 1978 (P.L. 95–961). Often referred to as the Domenici-Bellmon bill, it would consolidate 32 existing elementary and secondary education programs into three broad categories: special education; vocational, adult, and continuing education; and employment training and special emphasis projects.

The 95th Congress failed to act upon the Domenici-Bellmon proposal. During deliberations in the Senate Human Resources Committee, an amendment proposing a six-state pilot project was offered.* The amendment was defeated but, immediately thereafter, the Committee voted in favor of two simultaneous studies of the issues, one to be undertaken by the Educational Policy Research Institute and the other by the Congressional Research Service of the Library of Congress, with the findings to be available to Congress in 1979. As part of its study, CRS requested the Institute for Educational Leadership to commission a series of papers that would present a range of perspectives on grants consolidation in general and the Domenici-Bellmon proposal in particular. The completed papers became a part of the CRS study report provided to the Senate Human Resources Committee in January, 1979.

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*The full text of the proposed amendment, S. 1720, appears in the Appendix. In discussing the proposal some of the authors use the reference S. 1780, an earlier version of the proposed amendment.

The Institute believes that grants consolidation will continue to be of interest to the Congress, to the states, and to the educational community whatever the fate of the Domenici-Bellmon proposal. For this reason we decided to use edited versions of the commissioned papers as the nucleus of a book of readings on the main issues surrounding consolidation.

The collection has three sections of three papers each. The first section provides different frameworks for viewing grants consolidation and for evaluating the probable consequences. In the initial paper, Forbis Jordan identifies the place consolidation occupies within the range of methods for distributing federal aid to education, arguing that grants consolidation should be seen as a point on a continuum ranging from narrow categorical aid to unrestricted general revenue sharing. Since consolidation is closest to the block grant approach much can be learned about the potential impact by reviewing existing block grant programs. Jordan also points out that while trends and patterns are difficult to find, there is some evidence that the level of block grant funding does not grow as quickly as the level of categorical funding.

Joan Baratz, Joel Berke and Terry Hartle raise a series of policy questions that focus on the extent to which grants consolidation reduces problems and affects the delivery of educational services. While consolidation is often aimed at minimizing the paperwork burden, there is danger that consolidation may simply shift the burden. Before accepting consolidation, policymakers should identify the effects it will have on state and local decisionmaking, fund distribution, and targeting provisions. The authors also warn policymakers that in designing programs to achieve a particular goal, they may inadvertently frustrate the achievement of other goals.

Charles Lee offers the perspective of a veteran thoroughly immersed in the legislative process. While maintaining that grants consolidation may be a significant step toward a major commitment by the federal government to general aid for education, he warns that good intentions are not enough. Failure to take into account the power relations in Congress, including committee jurisdiction, can result in failure to pass needed laws. Moreover, Lee points out that unless careful attention is paid to the wording of laws, unintended consequences may far outweigh anticipated gains.

The book's second section examines the strengths and weaknesses of the categorical system and available policy options. While categorical programs have played an important part in federal education policy, Carl Stenberg argues that they have been overused—creating what he calls a "categorical dilemma." The great number of specific programs with overlapping goals and target populations makes the monitoring of funds nearly impossible. Stenberg suggests that consolidated grants might bring more rationality to the federal aid system, but doubts that there is sufficient political support to see the idea enacted into law.

Brenda Turnbull and Walter McCann argue that the problems associated with categoricals, while sometimes severe, do not warrant major changes in the system of delivering federal education monies. Categorical programs exist because they are the most efficient and equitable means of achieving national priorities. Critics who suggest that there is inadequate monitoring of categorical programs are giving support to the tightening of rules rather than to any lessening of federal control. While there may be reasons to question the national importance of some categorical programs, the authors maintain that Congress remains the best institution to decide national priorities. They argue that there is considerable reason to believe that, without federal targeting provisions, states would spend less money on disadvantaged and bilingual children.

James Ward and Nancy Gaeta contend that categorical programs should be maintained. The issue for them is how to develop administrative procedures that ensure that the will of the people, as expressed by Congress, is effectively implemented, not how to reduce paperwork and other administrative burdens. Consolidation would lessen the ability of Congress to direct funds to priority groups, reduce total school spending, and possibly result in states using federal funding to help equalize school spending rather than to increase services for special needs students. Ward and Gaeta also offer the provocative argument that grants consolidation, by placing allocative decisions at the state level and closer to the popular vote, may have negative effects on sound policymaking.

The final set of papers focuses on the potential effects of grants consolidation on the educational system. Mary Vogel, from her review of the available evidence on fiscal and distributive effects of grants consolidation, identifies the allocative shifts that are likely to occur. She concludes that to the extent that consolidation reduces targeting provisions, the less likely it is to stimulate local spending. Allotments for minority students and low income districts may be reduced under consolidation while spending for vocational and handicapped education would probably be unaffected. Vogel suggests a number of policy alternatives.

Lorraine McDonnell contends that the political culture of each state will determine to a great extent the impact of grants consolidation. States with strong SEAs, or with strong governors and legislatures which have an interest in education, would have the power to shape federal funds to achieve state goals. States with weak SEAs, or governors and legislatures which are not involved in education, would leave greater discretion to the LEAs which might result in increased confusion. Because of the differences in the political culture of the states, McDonnell suggests that few meaningful conclusions could be drawn from a six-state demonstration project.

Carl Candoli, writing from the viewpoint of an urban school superintendent, argues that federal and state decisionmakers generally ignore the perspectives and needs of the nation's 16,000 local education agencies. The present system does little to foster good relationships between the LEAs and SEAs and USOE. If consolidation is to have a positive impact, the realities of the local school districts must be kept in mind. While he sees dangers in grants consolidation, most notably a potential lessening of aid to disadvantaged students, he believes that consolidation could serve as an effective mechanism for improving relationships among the three levels of government and thereby improve educational programs for children and young adults.

C. Philip Kearney
Associate Director
for State Programs
Institute for Educational
Leadership
August 1979
Washington, D.C.

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IEL thanks the Congressional Research Service of the Library of Congress for contractual support which enabled us to commission the six papers which form the nucleus of this collection. Particular appreciation is extended to CRS' Forbis Jordan for his insightful editorial comments and encouragement throughout the project.

Dr. Jordan is also one of the authors of the three papers added to those especially commissioned by IEL. Authors of the other two papers are Joan Baratz, Joel Berke, and Terry Hartle of the Educational Policy Research Institute and Mary Vogel of The Rand Corporation. Special thanks are due to all of the authors for granting us permission to publish their work and for their efforts to enrich and enliven the quality of debate on grants consolidation issues.

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The views expressed in this book are those of the authors and do not represent positions of their organizations or the Institute for Educational Leadership.

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PART I

CONTEXTS FOR CONSOLIDATION

I

An Overview of Existing Block Grant Programs

K. Forbis Jordan

The issue of categorical versus block grant funding is one of the continuing items of discussion when consideration is given to new programs or when existing programs are scheduled for refunding or revision. Rather than being viewed as separable entities, categorical programs, consolidated grants, block grants, special revenue sharing, and general revenue sharing could be viewed as parts of a continuum starting with categorical programs at one end and ending with general revenue sharing at the other. The degree of specificity or restrictiveness imposed on the recipient of the funds is reduced as the program moves toward general revenue sharing.

In 1949, the Hoover Commission made the earliest proposal for establishing block grants for broad categories such as education, highways, public assistance, and public health.[1] During the Eisenhower administration, legislation was introduced to create block grants for health and public welfare. Categorical aids would have been replaced by a single broad appropriation of funds to the states. Both efforts were unsuccessful, largely because supporters of the concept were unable to assure Congress, the States, and interest groups that the dollar allocations for target groups or governmental units would not be reduced.[2]

K. FORBIS JORDAN is Senior Specialist in Education, Congressional Research Service, Library of Congress. He is the former Executive Secretary, Commission on Schools, North Central Association of Colleges and Schools and a former professor at the University of Florida and at Indiana University.

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Following the initial proposal, the concept of general revenue sharing began to take form under proposals advanced by Walter Heller during the Kennedy-Johnson Administrations.[3] Programs were not enacted then, but activities continued in the "New Federalism" advocated by the Nixon Administration.

The main objective of the Nixon effort was to terminate the categorical programs by merging them, generalizing their purposes and transferring program decisionmaking power from the federal level to local and state governmental officials. The Nixon proposals recognized the futility of transferring functions and responsibilities without some means of financing them. As a result, general revenue sharing and block grants (special revenue sharing) became a part of the funding vocabulary. The distinction between the two terms is critical both in terms of the formula for distributing funds and also the programmatic flexibility permitted for the receiving governmental unit. Under the theory of general revenue sharing a portion of the general revenues of the federal government is returned to the states and other governmental units in accordance with a formula fixed by the Congress. Once received by state and local governments, the funds may be used as their own general revenues, subject only to fiscal audits and review to assure that expenditures are for items consistent with legislative intent. One research study states that the net result is that general revenue sharing programs constitute a *de facto* revision of the tax structure of the nation. The federal government serves as the collector and distributor of revenues and the less prosperous areas benefit at the expense of the more prosperous ones. Instead of changing federal, state, and local tax laws, use of the expanded tax base of the federal revenue system and redistribution for general purpose functions of state and local governments is accomplished by the design and manipulation of a mathematical formula.[4]

The purpose of block grant programs is different from that of general revenue sharing. Under these programs, a payment is made from the federal government to a state or local governmental agency to accomplish a broad federal purpose. The federal government is thus the prime mover and the state or local government is the agency that is to accomplish the federal purpose. Some degree of semantic confusion has arisen between the terms—special revenue sharing and block grants. Various proposals have been introduced under each heading, but the major differences have been in the administration and procedures of the proposed programs, not the substance of the proposed method of financing.

A block grant by definition has some boundaries or limits and thereby defines a purpose, which may constitute a "category", if one wishes to consider it in that light. With this logic, a block grant for library services may be considered a categorical grant for the category "library services." Therefore, any grant program may be considered a categorical program, for the difference is only a matter of degree. A precise distinction cannot be made between block grants and categorical programs, for the terms are relative and not mutually exclusive. The challenge becomes even greater if one attempts to distinguish between block grants and grant consolidation. It appears as though the difference between the two is more related to the existence of a prior grouping of categorical grants than to the purpose or the magnitude of the new legislation. If prior categoricals are included in the newly enacted program, the tendency is to refer to the program as a grant consolidation. If the new program does not have a predecessor categorical program but is limited to certain activities or functions, it appears it would be called a block grant.

Even though general revenue sharing is not normally considered to be a block grant, the program is included in this discussion because of its success and level of receptivity with both the Congress and the governmental units receiving the funds.

Characteristics of a Block Grant Program

Even though block grants and categorical grants exist on a continuum rather than as discrete items, the Advisory Commission on Intergovernmental Relations has identified five major characteristics that distinguish block grants from categorical grants:

1. A block grant authorizes federal aid for a wide range of activities within a broad functional area.
2. Recipients are given substantial discretion in identifying problems and designing programs to deal with them.
3. Administrative, fiscal reporting, planning, and other federally established requirements are geared to keeping grantor intrusiveness to a minimum, while recognizing the need to insure that national goals are accomplished.
4. Grants are distributed on the basis of a statutory formula, which narrows grantor discretion and provides some sense of fiscal certainty for grantees.
5. Eligibility requirements are fairly specific and tend to favor general purpose governmental units.[5]

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The concept of the block grant assumes the recipient agency will have considerable latitude in determining its programmatic priorities, but those decisions are to be reasonably related to the federal purpose for which the program was enacted. Theoretically, federal review of the plans would focus on the relationship between the state or local program goals and the statutory objectives, not the appropriateness of the approach. Rather than providing direction for projects, the primary functions of the federal agency would be (1) to assure the financial and programmatic integrity of the grant-supported activities and (2) to inform the Congress about the progress of the program, its problems, and its costs. These functions could be performed in a variety of ways (e.g., requirements for a comprehensive plan, an application procedure for the program, on-site visits, and program or fiscal audits).

From a review of the legislative history, oversight hearings, and evaluations of the existing block grant programs, it appears the most critical factor to the success of a block grant program is a clear and useful statement of the federal purpose in enacting the legislation. Such a statement should be made in most precise terms to reduce the likelihood of later misunderstandings and to provide assurances that the purposes of the program will not be redirected by either federal or state administrative agencies or the state or local agency that actually operates the program. The suggestion has been made that a comprehensive legislative history should be provided to assist the program's administrators at the federal level, those operating the program, recipients of the program's services, and the courts.[6]

Six grant programs enacted by Congress in recent years have been selected for discussion: (1) Comprehensive Employment and Training Act (CETA); (2) Safe Streets; (3) General Revenue Sharing; (4) Community Development Act; (5) Partnership in Health; and (6) Title XX of the Social Security Act. These six programs are reviewed in terms of four broad areas of concern—programmatic trends, funding trends, paperwork and administration, and program participants. A final section identifies major evaluation studies conducted by public and private agencies for each of the programs.

Programmatic Trends

If the concept of block grants is based on the assumption of maximum flexibility for the recipient agency, General Revenue Sharing was originally enacted with a minimum of restrictions, and subsequent legislation has removed most of these restrictions. In direct contrast is the Safe Streets Act, where the trend has been towards categorization through requirements for additional funding, guaranteed funding, and special attention to certain areas such as juvenile justice, corrections, and community anticrime efforts as well as other requirements on the use of funds.

Even though CETA is a relatively new program, the trend in the Safe Streets Act can also be observed, although not yet to the same degree. As a response to high unemployment, the federal requirements for CETA appear to have shifted emphasis from program to work experience with designated amounts set aside for target groups such as youth and the aged. As with Safe Streets the recipient agency still may determine the program that will best serve that population group, but the tendency has been to hold the block grant funding constant and add new or separate categorical programs to target funds for a particular subgroup of the population.[7]

In the Community Development Act, the trend has not been to add federal restrictions to the program. Recent efforts to require that the program address the housing needs of the poor have met with mixed reactions. Other concerns about the program have come from the Michigan Advisory Committee of the U.S. Commission on Civil Rights; this group contends that the Community Development program has emphasized bricks and mortar rather than services.[8]

When it was originally enacted in 1966, the Partnership in Health Act folded nine existing formula grant programs into a block grant program for comprehensive health services. The scope of the new program was defined more broadly than the prior ones had been, and the program was expanded by the special earmark of 15 percent of the funds to the state mental health authority.

An ACIR report suggests that the programmatic evolution of the Act has been marked by two developments. First, the Congress has tended to recategorize the health grant system by mandating attention to particular health problems within the block grant and by creating over 20 new categorical programs outside the grant. The appropriation for the block grant was $90 million from FY '70 through FY '79. In the FY '79 budget, the comprehensive health grants to states represented less than 19 percent of the total appropriation for community health services. Second, since 1970 program advocates have sought to link the Partnership for Health Act block grant and the comprehensive health plan required by the legislation. These concurrent developments illustrate the conflict between the quest for broader state decisionmaking and policy determination and the desire for the recognition of national or federal priorities in the program. The desire for accountability is evident in both developments, but represents an attempt to place the responsibility for accountability at different levels.[9]

Under Title XX of the Social Security Act, the statute provides the states with a relatively free hand in determining what services to provide, although those services must be within the context of the five specific goals outlined in the original legislation.

Funding Trends

The original legislation for general revenue sharing provided for $30.2 billion to be distributed over a five year period ending December 31, 1976. By that date the U.S. Treasury Department had distributed $28.3 billion to local and state governments. The legislation was extended for 3¾ years through September 30, 1980, with an authorization of up to $25.6 billion. This would provide for an annual entitlement of $6.85 billion as contrasted with an average annual entitlement of $5.6 billion under the original legislation.[10]

Under general revenue sharing, funds are to be distributed directly to state and local governments on an entitlement basis. In most recent legislation, provisions were eliminated that required agencies to spend the funds within designated priority categories.

Among the various block grant programs, the Safe Streets Act has sufficient history for certain trends to become evident. The portion of the appropriation classified as "block grant" declined from 68 percent in FY '70 to 49 percent for FY '79. The first year of funding for the program was FY '69 with an appropriation of $63 million, with the block grant portion receiving approximately $44 million. In FY '71, the funding level was approximately $530 million, with $366 million for the block grant. The highest appropriation was $895 million in FY '75 with a decline to approximately $646 million in FY '79. In FY '75, the block grant appropriation was $535 million; in FY '79, it was $315 million. In the period since the enactment in 1968, categorical programs have been added for corrections, juvenile justice and community anticrime activities. Under the formula grants portion of the appropriation, the relationship between the block grants and discretionary grants has remained the same.[11]

The first budget year for CETA was FY '75. The total appropriation for FY '75 was $3.7 billion with the block grant portion receiving $1.58 billion of that amount. For FY '79, the total appropriation is $9.3 billion with the block grant appropriation being $1.9 billion. The National Academy of Sciences' study indicates that the block grant portion of CETA is having the typical problems of stable funding for the block grant, while funds have been increased for the categorical portions of the legislation.[12] For FY 1975, over 40 percent of the CETA appropriation was in the Title I block grant, but for FY '79 approximately 20 percent of the total appropriation was in the block grant portion.

The Community Development Act was signed into law on August 22, 1974. For FY '75, the level of funding was $2.55 billion; by FY '76, this had increased slightly to $2.802 billion. For FY '77, the appropriation for the block grant program was $3.248 billion, and for FY '79, it was $3.75 billion.

Since the original appropriation of $62.5 million (FY '68) provided for the block grant portion of the Partnership for Health Act, there has been an absence of major funding increases for that portion, but ACIR asserts that the nearly 20 new categorical programs enacted since 1966 "logically should have been made a part of the block grant."[13]

The FY '79 appropriation for Title XX of the Social Security Act was $2.45 billion as the federal government's share of the states' efforts. This amount has been relatively constant for the four fiscal years that the legislation has been in effect. The appropriation has not exceeded $2.5 billion in any of the years. Funding is on a matching basis with the states, and the legislation stipulates the process by which the state and local funds are to be matched.

Paperwork and Administration

Paperwork and reporting concerns did not follow a consistent pattern among the various programs. Testimony on general revenue sharing does not indicate that reporting and paperwork are considered to be a problem by the agencies receiving the funds.[14] Following the close of each fiscal year, the governmental agencies receiving the funds are to submit a report to the Secretary of the Treasury showing the amounts and the purposes for which the allocations were appropriated, spent, or obligated during the period and the relationship of those actions to the relevant functional items in the governmental unit's budget. From the reactions of the local and state governmental officials in the hearings, this requirement does not appear to pose a problem. However, the normal compliance requirements associated with agencies that receive federal funds may be viewed as burdensome by some of the recipients.

Somewhat different opinions are expressed by recipients of funds under the Safe Streets Act; they contend requirements for planning and applications for funds under the special titles has increased the amount of paperwork since the enactment of the original program. Concern is expressed over the delay in making the guidelines available in view of the required public participation and lengthy planning schedule. In addition, reporting is on the basis of each funded program, increasing the paperwork and staff time required to submit the various reports.[15] Rather than reducing the amount of paperwork, the former reports have largely been retained and new ones added (e.g., state plans are to include many of the elements required under other titles in previous legislation—appeals procedures, merit personnel system documentation, and disclosure safeguards).

One concern of those administering the Safe Streets Act at the local and state level is that plans are to be redeveloped annually. (Testimony indicates that the planning activities are considered to be a facade, i.e., the plans are merely a prerequisite for funding.) Of course, there is the other position expressed by the advocates of planning who stress that the existence of planning assists the governmental units in addressing their concerns, has promoted regionalized cooperation in addressing problems, and provides the basis for evaluation and accountability.

The block grant approach to funding CETA has moved administrative problems from the federal and state levels to the local level. Under the typical arrangement, local governments have established special offices to operate the program. These local agencies subcontract with a variety of public and private agencies for various programs. The National Academy of Science's study indicates this arrangement places a different type of administrative burden on, in many cases, an inexperienced local governmental agency and that, in some cases, local political forces reportedly have become involved in the administration of the program.[16] These circumstances, however, may have existed before the enactment of the block grant. Even with these disadvantages, the program decisions are being made much closer to the point at which the programs are being operated.

The full impact of the CETA reporting problems cannot be assessed for the decentralization of the program into regional offices took place at approximately the same time that the program went into effect. The changes in administrative structure may have some effect on subsequent reports and attitudes.

According to the annual Department of Housing and Urban Development (HUD) reports, reactions to the paperwork issue are somewhat divided relative to the time and resources required by the Community Development Act. A majority of the communities reported to HUD that in their experiences there has been no change in bookkeeping and paperwork requirements. There also appears to be more concern with compliance requirements than with reports on the actual program being conducted. Compliance examples include civil rights, the Davis-Bacon Act (prevailing wage), environmental impact, equal opportunity, and fair housing. Many of these are conditions of receiving federal funds or routine requirements rather than being directly tied to the specific program.

During the early period of the Partnership for Health Act, federal administration of the program was marked by sporadic attempts to gain control over the program, but the 1970 Federal administrative decision not to require submission of detailed state plans and to replace these plans with preprinted assurances marked the beginning of a second period of administration. This pattern of administration has been one in which little attention has been given to the block grant. The ACIR report states that Department of Health, Education and Welfare has shown a decreasing interest in the program and that the Congress has shown a tendency to increase controls over the block grant. States are very supportive of the block grant under this program, for they have been provided greater flexibility than under the previous categorical funding program.[17]

Reports on the Partnership for Health Act indicate numerous problems with paperwork and administrative requirements even though the program is flexible in terms of the services that may be provided. One interesting provision in the statute authorizing the program is that the decision as to whether a given service actually does meet one of the five goals of the program is a matter of state determination and is not subject to review by HEW. The law does contain a listing of specific programs that are eligible under the program, but the list is not intended to be restrictive or all-inclusive.

Program Participants

Under general revenue sharing, the tendency has been for programs to be directed toward the state and local perceptions of public service needs. At the state level, education appears to have received a significant share of the funds, but at the local level only recently could educational agencies be eligible for the funds. In testimony at oversight hearings, the National Urban Coalition, Americans for Democratic Action, and the National Association of Social Workers indicated that inadequate attention had been given to the needs of minority groups and that the resulting programs had often supported rather than redressed the problems of segregation.[18]

Programs supported through the Safe Streets Act have been largely oriented toward the criminal justice system and it would be difficult to determine the beneficiaries of the program; in some cases the beneficiaries might well be those who have no direct contact with the actual program supported by the funds. While the inclusion of special programs for juveniles, for example, makes them direct beneficiaries, the potential reduction in crime makes the total population the major beneficiaries.

As the legislation for CETA has been amended, new categorical funds have been provided for youth and the elderly. In the block grant programs,

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the reported tendency has been for a reduction in the percentage of disadvantaged persons in the program. The high level of unemployment in recent years evidently has resulted in an unemployment pool that contains persons with varying levels of education, past income patterns, and wealth in contrast to an employment pool that contains persons with little education, low income patterns, and a poverty background. As CETA programs are initiated, some of these "nondisadvantaged" persons inevitably become participants.

The focus on the Community Development Act has been on the housing needs of the poor. The current legislation states that the low to moderate income families are to be the primary beneficiaries of the program and the tendency has been for the funds to benefit these income groups. As a generalization, it appears that the higher the poverty rate, the greater the likelihood that program benefits would be allocated to low income persons.[19]

Even with the available data from the Department of Housing and Urban Development, questions are being raised about the adequacy of the level of citizen participation in the program and the degree to which localities are using the funds in the best interests of low and moderate income persons. On this latter issue, the non-HUD studies are not in general agreement. The HUD studies suggest that the programs are serving low or moderate income groups, but the outside studies contend that the level of service is inadequate.[20]

In contrast to the other programs in which the recipient agency may make a policy determination concerning whether or not the poor would be primary beneficiaries of the program, programs under Title XX of the Social Security Act are to be directed to low and middle income persons, for the statute indicates the program may cover persons earning up to 115 percent of the state's median income. This breadth of coverage has reduced the impact that the program might have on the poor.

Even though the appropriation for the Partnership for Health Act represents a small portion of the total state health department expenditures on a national basis, an ACIR report states the program's role has been important in support of radiation control, chronic disease control, and communicable disease control programs. The report further states heart disease control and home health services have fared poorly since the consolidation.[21] This information would suggest the poor have had mixed treatment under the program, with increased funds for care related to chronic and communicable disease control but decreased funds in a relative sense for home health services.

Major Evaluation Studies

The reader interested in further pursuing the pros and cons of existing block grant programs may wish to consult the available evaluation studies conducted by public and private agencies. Some of the major studies for each of the programs discussed are listed below.

General Revenue Sharing

McBreen, Maureen. *Summary of testimony presented at hearings, State and Local Financial Assistance Act of 1972*, February 27, 1976, pp. 1–50.

Nathan, Richard P. *et al. Monitoring Revenue Sharing*. The Brookings Institution, 1974. 396 pp.

Safe Streets Act

Navasky, Victor S. and Darrell Paster. *Law Enforcement: The Federal Role*. Report of the Twentieth Century Task Force on the Law Enforcement Assistance Administration, McGraw-Hill, 1976, 145 pp.

Advisory Commission on Intergovernmental Relations. *Safe Streets Reconsidered: The Block Grant Experience 1968–75*, ACIR, 1977, 203 pp.

Center for National Security Studies. *Law and Disorder IV: A Review of the Federal Anticrime Program Created By Title I of the Omnibus Crime Control and Safe Streets Act of 1968*. Washington, 1976. 136 pp.

Comprehensive Employment & Training Act

Advisory Commission on Intergovernmental Relations. *The Comprehensive Employment and Training Act:* Early Readings From A "Hybrid Block Grant," ACIR, 1977.

National Academy of Sciences. *The Comprehensive Employment and Training Act:* Impact On People, Places, Programs (an interim report), NAS, 1976, 175 pp.

Community Development Act

Advisory Commission on Intergovernmental Relations. *Community Development: The Workings of a Federal-Local Block Grant*, ACIR, 1977.

Nathan, Richard P. *et al. Block Grants For Community Development*, (prepared by the Brookings Institution) Department of Housing and Urban Development, 1977, 527 pp.

Southern Regional Council, Inc. *A Time for Accounting: The Housing and Community Development Act in the South,* Southern Regional Council, 1976, 128 pp.

Partnership for Health Act

Advisory Commission on Intergovernmental Relations. *The Partnership for Health Act: Lessons From a Pioneering Block Grant,* ACIR, 1977, 232 pp.

Title XX of the Social Security Act

U.S. Dept. of Health, Education and Welfare. *Summaries and Characteristics of States' Title XX Social Services Plans for Fiscal Year 1976,* Subcommittee on Public Assistance of the Committee on Ways and Means, U.S. House of Representatives. Washington, U.S. Govt. Print. Off., 1976. 204 pp.

U.S. Dept. of Health, Education and Welfare. *Technical notes: Summaries and Characteristics of States' Title II Social Services Plans for Fiscal Year 1977,* 194 pp. mimeo.

General

Advisory Commission on Intergovernmental Relations. *Block Grants: A Comparative Analysis,* ACIR, 1977.

Footnotes

[1] Selma J. Mushkin, "Barriers to a System of Federal Grants-in-Aid," *National Tax Journal,* Vol. XIII, No. 3, September 1960, p. 194.

[2] Mushkin, *op. cit.,* pp. 194–196.

[3] Richard P. Nathan et al., *Monitoring Revenue Sharing,* Washington, D.C.: The Brookings Institution, 1974, p. 347.

[4] John M. Frantz, *The Use of Block Grants as a Vehicle for Federal Housing Assistance,* A Report to the Congressional Research Service of the Library of Congress, unpublished, January 1977, p. 4.

[5] Advisory Commission on Intergovernmental Relationships, *Safe Streets Reconsidered: the Block Grant Experience 1968–75,* Washington, D.C.: ACIR, p. 1–2.

[6] Frantz, *op. cit.,* p. 17.

[7] National Academy of Sciences, *The Comprehensive Employment and Training Act: Impact on People, Places, and Programs* (an interim report), NAS, 1976, p. 44.

[8] Michael Agelasto, *Community Development Block Grants,* The Library of Congress, Congressional Research Service, Issue Brief IB75021, p. 10.

[9] Advisory Commission on Intergovernmental Relations, *The Partnership for Health Act: Lessons from a Pioneering Block Grant,* Washington, D.C.: ACIR, 1977, pp. 13–14, 89.

[10] Maureen McBreen, *General Revenue Sharing: An Overview of the 1972 Act and A Legislative History of the State and Local Fiscal Assistance Amendments of 1976 (P.L. 94-488)*, Congressional Research Service, Library of Congress, January 6, 1977, p. 19.

[11] "The Nation's Crime Fighting Agency is Fighting for Its Survival," *The National Journal*, May 7, 1977, p. 717.

[12] National Academy of Sciences, *loc. sit.*

[13] Advisory Commission on Intergovernmental Relations, *The Partnership for Health Act*, p. 89.

[14] Maureen McBreen, Summary of Testimony Presented at Hearings, State and Local Financial Assistance Act of 1972, February 27, 1976, p. 1–50.

[15] Victor S. Navasky and Darrell Paster, *Law Enforcement: the Federal Role*, Report of the Twentieth Century Task Force on the Law Enforcement Assistance Administration, McGraw-Hill, 1976, p. 87–114.

[16] National Academy of Sciences, *op. cit.* p. 87–8.

[17] Advisory Commission on Intergovernmental Relations, *The Partnership for Health Act*, p. 90.

[18] McBreen. *op. cit.*

[19] Richard P. Nathan et al., *Block Grants for Community Development*, Washington, D.C.: Department of Housing and Urban Development, 1977, p. 309.

[20] Agelasto, *op. cit.*, p. 5–11.

[21] Advisory Commission for Intergovernmental Relations, *The Partnership for Health Act*, p. 94.

II

Changing the Federal-State Partnership: The Effects of Consolidation

Joan C. Baratz
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More than $6 billion is currently distributed through federal programs to support elementary and secondary educational services by state and local agencies for purposes authorized by the Congress. As late as the early 1960s, however, federal aid amounted to approximately one-tenth that amount. At that time, proposals to expand federal activities raised spirited debate about whether, in light of the First and Tenth Amendments and the tradition of state and local responsibility, it was legitimate for the national government to participate to any significant degree in direct financing of elementary and secondary education. In the next two decades, as a result of the steady increase in the cost of providing public education at the state and local levels, aid to education has become an accepted object of federal expenditure under the broad Constitutional authority of the Congress to tax and spend for the general welfare.

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This chapter is adapted from a recent EPRI study conducted for the U.S. Senate Committee on Human Resources.[1]

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General Aid versus Categoricals

Controversy has continued to surround federal education efforts as purposes changed, programs multiplied, appropriations increased, and reporting requirements grew more complex. No longer focusing on whether aid to education is an acceptable exercise of federal authority, contemporary debate turns on whether the purposes of federal aid programs are desirable, and whether their procedures are appropriate. One prominent form of these disagreements joins concerns with both purpose and procedure: the conflict between those who propose that the federal government provide general aid and those who favor restricted categorical programs. Adherents of general aid to education disagree with the goals of federal programs. They argue that states should be permitted to establish their own priorities for using federal aid, and they object to the burdensome requirements attached to accounting for categorical aid. Proponents of categoricals, on the other hand, maintain that the purpose of federal aid is to serve Congressionally identified national needs. Assurance that such needs are being served, they contend, can only be maintained by rigidly restricted aid programs enforced by detailed accountability procedures.

The Administrative Perspective

In recent years, some state and local officials have grown increasingly hostile to categorical federal aid; they argue that, although they agree with the goals of many federal programs, they are prevented from accomplishing them effectively or imaginatively because of excessively complex requirements that accompany the funds.

As evidence of their commitment to educational goals similar to those of the federal government, state officials point to education of the handicapped, where aggregate state expenditures are six times those of the more recent federal aid program; vocational education, where no state appropriates less than five times the amount that would be necessary merely to meet federal matching requirements; and compensatory and bilingual education, where states (16 in compensatory, 20 in bilingual) now have categorical programs of their own.

Despite these initiatives, states must follow federal requirements for program procedure, reporting, and funds allocation which prevent them from exercising their best judgment on how to conduct education, and require them to devote time and personnel to burdensome federal paperwork.

Planning, assuring compliance, reporting to higher authorities, and program evaluation each require data to be collected and forms to be completed by state and local school personnel. Often, similar information must be submitted to different United States Office of Education (OE) programs, or inconsequential differences among data items called for by different regulations require multiple collection or calculations.[2] Fueling state and local dissatisfaction with these tasks is a sense that much of the information is unnecessary or unused.

The Target Group Perspective

To representatives of target groups which benefit from federal programs, however, these categorical structures, procedures, and reports are considered essential guarantees which assure that their needs will be met. Recent federal programs, they argue, had their origins in the unwillingness of state and local agencies to provide services needed by low-income, minority, and handicapped constituencies. Legislative and regulatory provisions have steadily tightened targeting and program procedures because education agencies have often failed to serve federal programmatic objectives without closely defined authorizations and auditable accountability procedures.

For those who distrust the state-local educational establishments, the existence of state programs on topics of federal concern is insufficient evidence of shared objectives, since many of these state programs are different both in focus and in substance from federal objectives in the same areas. State vocational funds, for example, are seldom earmarked to guarantee attention to the disadvantaged or to be concentrated in areas with high unemployment or low fiscal capacity. For the handicapped, due process requirements, guarantees of education in the least restrictive environment, and attention to the individual needs of students have been won through court cases or intensive lobbying, and federal guarantees are thought critical to implementing these victories. In compensatory education, the strong orientation of Title I toward educationally deprived children in school attendance areas with many poor families is missing in some state legislation, yet that aspect of the program is paramount for many of its proponents. Finally, the cultural emphasis of bilingual education is a central concern of some interest groups who exert influence at the federal level, and they are not satisfied by linguistic training that lacks a cultural enrichment strategy.

Paperwork burden is not an important problem from the perspective of target groups, who usually think this issue is a subterfuge. They see state education agency (SEA) and local education agency (LEA) complaints as either a mask for opposition to the substance of the requirements, or as a decidedly low-priority issue compared to the necessity of knowing how federal funds are used in order to assure state-local compliance.

Middle Ground: Domenici-Bellmon

The Domenici-Bellmon proposal, S. 1780, the Reorganization and Consolidation Demonstration Project, proposes a new perspective for solving the long-standing dichotomy between block and categorical approaches. It groups over 20 separate aid programs into three major consolidations which, unlike earlier block grant proposals such as the Better Schools Act proposed by President Nixon, keep separate targeting for disadvantaged, handicapped, and bilingual students; preserve the distinctive role of vocational education; and integrate a number of smaller federal education programs. On a continuum from general aid at one extreme to narrowly-drawn categoricals at the other, the Domenici-Bellmon proposal occupies a middle ground. According to its statement of purpose, it is designed both to maintain certain federal purposes and to simplify federal procedures. While this dual objective is easily stated, it is difficult to accomplish. It requires that form be distinguished from function, and substance untangled from procedure.

Analyzing S. 1780

The problems of state and local agencies in administering federal educational programs cannot simply be dismissed as an attempt to shirk accountability or pervert federal objectives. They challenge policymakers to develop a program of federal assistance that promotes efficiency and flexibility for grant recipients, on the one hand, while assuring accountability and the meeting of national priorities on the other. S. 1780 proposes to meet this challenge. While its primary purpose is to improve federal assistance programs through grants consolidation, sponsors of this legislation stress that it does so without weakening the federal commitment to the purposes and people served by the existing categorical programs. As Senator Domenici remarked in introducing S. 1780:

> "The reorganization which we propose will preserve the original Federal role while simplifying the Federal education effort through consolidation of 32 [sic] programs into 8 programs, and by streamlining administrative requirements."

Our analysis of S. 1780 seeks to determine whether its provisions:

1. Address the major objections to present grant administration; and
2. Protect the target groups and programmatic purposes of previous categorical grants.

Specifically, we raise the following questions:

1. What is the paperwork burden? How does it relate to categorical funding? Will consolidation reduce paperwork?

2. How does the proposed fund distribution affect SEA and LEA decisionmaking processes? How will it change proportional aid distributions? How will it shift the overall state and local funding pattern?
3. How might the proposed distribution plan affect service delivery to target groups? to special programs? to low-income LEAs?
4. What kinds of efficiency and coordination at the federal, state and local level does this amendment promote? How does this proposal enhance flexibility?

Paperwork Burden

At the state and local level, paperwork has grown in geometric progression with the expanding federal role in education. Between 1965 and 1976, the number of programs administered by the Commissioner of Education increased from 35 to approximately 120.[3] These additional programs require recordkeeping systems. According to an OE administrator, in less than five years there has been:

> "more than a tenfold increase in the number of documents [OE] publishes annually in the *Federal Register*, from 32 in Fiscal Year 1972 to an estimated 368 in Fiscal Year 1977."[4]

State and local education agencies process most of the paperwork related to applying for assistance, monitoring programs, supplying assurances, complying with Office of Civil Rights (OCR) regulations, conducting evaluations and maintaining adequate audit trails. In recent years, the volume as well as the cost of administering programs has escalated to such an extent that small districts have occasionally refused to apply for assistance, complaining that the paperwork costs of some programs are greater than the funds they might receive for services.[5]

Hearings before the Subcommittee on Elementary, Secondary and Vocational Education of the House Committee on Education and Labor revealed that, while federal expenditures were only about 8 percent of U.S. total educational expenditures, federal paperwork consumed more than 40 percent of the total paperwork in educational administration.

Causes of excess paperwork. A paperwork problem undoubtedly exists. While part of the difficulty is a categorical funding system that requires separate application, audit and evaluation forms, part of the data burden stems from previous non-compliance with federal intent, which bred more specific regulations. Additionally, technically poor data management

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and bureaucratic practices that foster sheer accumulation of information create more paperwork.

The Paperwork Commission identified six factors that contribute to the problem:

1. Late feedback or absence of response from federal agencies.[6]
2. Insufficient lead time—requests for data are sometimes received by SEAs and LEAs with little or no time before they are due in Washington.
3. Duplication of collection.
4. Unrealistic data requests.
5. Inconsistent terminology
6. The costs in dollars and time of collecting data.

Paperwork Requirements. The proposed amendment addresses the paperwork issue directly:

> The Commissioner shall establish procedures to eliminate all unnecessary paperwork in regard to information required of state and local educational agencies (Sec. 1248(b)).
>
> State plans are to contain certain "procedures . . . to eliminate unnecessary paperwork and duplication of informational requests . . . to LEA applicants, evaluations and reporting" (Sec. 1246 (12)).
>
> "Monitoring activities [of the Commissioner or SEA] shall not require additional paperwork of the agencies under review" (Sec. 1249 (e)).

Nontheless, there are paperwork requirements in S. 1780. They include (1) a description of procedures for state plan development (Sec. 1245) and (2) a single comprehensive four-year state plan for all programs consolidated under this amendment (Sec. 1244(a)(2)).[7]

Will S. 1780 Reduce Paperwork? Although there is a single multi-year state and local plan and annual update for over 20 programs, the extent of paperwork reduction is unclear. A recent survey of chief state school officers by the Congressional Research Service indicates that most assume S. 1780 would cut paperwork, but several feel that the demand for paperwork would merely shift from the federal government to the SEA.

Whether implementation of S. 1780 would create a single mammoth state plan in place of shorter, but formerly separate, program plans is unclear. Taken as a whole some reduction in paperwork seems likely to occur; however, the requirements of S. 1780 indicate consolidation and paperwork reduction are not necessarily synonymous. Administrative tasks required by states or local agencies in regard to services for the disadvantaged[8] and the handicapped[9] will be cut; several smaller program under Part C of special emphasis projects will be merged.

Funds Allocation

The funds allocation requirements of federal aid programs are distinctive. Unlike most state and local revenues, which take the form of general aid, federal aid is directed to particular pupil populations, curricular purposes or school districts with identifiable characteristics. This fiscal targeting has made federal aid more effective than its 8 percent proportion of total elementary and secondary public education revenues would otherwise suggest. In the areas of explicit emphases, such as compensatory or bilingual education, federal funds often constitute a substantial and stimulative portion of the available funding.

From a fiscal viewpoint the aggregate flow of federal aid also makes a valuable contribution: it provides higher proportionate funding to districts which have lower-than-average income levels, higher-than-average proportions of minority pupils, and center city or rural locations. These districts are frequently hard pressed to raise levels of revenue commensurate with the difficult educational tasks they face. When aggregate federal aid is divided into its programmatic components, one finds these funding patterns most pronounced in Title I, ESEA, and least evident in programs which leave substantial discretion to SEAs to allocate funds among local districts.[10]

Fund Distribution Requirements: ESEA Title I. Title I now makes school finance objectives explicit in its policy declaration because it recognizes:

> ". . . the special educational needs of children of low-income families *and the impact that concentrations of low-income families have on the ability of local education agencies to support adequate educational programs*" (Sec. 101, emphasis added).

Allocations under Title I ESEA are targeted to counties; the formula relies primarily on the number of children from poverty families and families receiving AFDC multiplied by a proportion of the state's average per-pupil expenditures. States make allocations to school districts within counties, but the formulas used for subcounty allocations must reflect the proportionate distribution of children from families in poverty within the county. Within

LEAs, Title I funds can be used only in target schools, for which the principal targeting criterion is again the proportion of children from poverty families, with emphasis on areas with higher-than-average poverty concentrations.[11] Within target schools, however, participating pupils are selected on the basis of their educational deprivation, a criterion intended to avoid a means test for pupils and to permit achievement tests and identification by teachers of children with the greatest need.

In addition to these funds allocation provisions designed to control the expenditure of funds, Title I of ESEA also contains a number of requirements intended to exert leverage over the expenditure of state and local monies. "Comparability" requirements are designed to assure that target schools are supported from state and local funds at no lower level than non-target schools. "Supplement not supplant" provisions assure that Title I students receive the same share of state and local funds, with the exception of certain compensatory education programs, that they would have received in the absence of Title I. Non-supplanting is also applied to assure that services mandated by state law or court order are paid for with state and local funds, not with Title I money.[12]

ESEA Title IV. While other federal programs lack the extensive fiscal targeting provisions of Title I, Congress has added provisions to other programs to focus federal aid on districts less able to raise revenues on their own.

Title IV of the Education Amendments of 1974, required that funds be distributed for learning and library resources.

> ". . . according to the enrollments in public and nonpublic schools within the school districts of such agencies, except that *substantial funds will be provided to (i) local educational agencies whose tax effort for education is substantially greater than the state average tax effort for education, but whose per pupil expenditure (excluding payments made under Title I of this Act) is no greater than the average per pupil expenditure in the states, and (ii) local educational agencies which have the greatest numbers or percentages of children whose education imposes a higher than average cost per child, such as children from low-income families, children living in sparsely populated areas, and children from families where English is not the dominant language*." (Sec. 403(a)(4), emphasis added).

In 1978, as a result of preliminary evaluations which showed that the adjustments called for in (i) and (ii) above affected only a small portion (frequently 5 percent to 15 percent) of the Title IV B funds in most states, Congress tightened the fiscal targeting requirement to order all Title IV B funds to be adjusted by the fiscal need factors above. Funds will be distributed:

> . . . according to the enrollments in public and nonpublic schools within the school districts of those agencies, *adjusted in accordance with criteria prescribed by the Commissioner, to provide higher per pupil allocations* to [LEAs that meet criteria (i) and (ii) in the section above] (Sec. 422(a)).

Vocational Education. Provisions ordering states to take account of the financial capacity of LEAs in distributing aid also were added to the Vocational Education Amendments of 1976.

> ". . . the State shall, in determining the amount of funds available under this Act which shall be made available to those applicants approved for funding, *base such distribution on economic, social and demographic factors relating to the need* for vocational education among the various populations and the various areas of the State, except that—
>
> "(i) the State will use as the two most important factors in determining this distribution (I) in the case of local education agencies, *the relative financial ability of such agencies to provide the resources* necessary to meet the need for vocational education in the areas they service *and the relative number or concentration of low-income families or individuals* within such agencies, and (II) in the case of other eligible recipients, *the relative financial ability of such recipients to provide resources* necessary to initiate or maintain vocational education programs to meet the needs of their students *and the relative number or concentration of students whom they serve whose education imposes higher than average costs,* such as handicapped students, students from low-income families, and students from families in which English is not the dominant language; and
>
> "(ii) *the State will not* allocate such funds among eligible recipients within the State on the basis of per capita enrollment or through matching of local expenditures on a uniform percentage basis, or *deny funds to any recipient which is making a reasonable tax effort solely because such recipient is unable to pay the non-Federal share of the cost of new programs.*" (Sec. 106(a)(5)(B)), (emphasis added).

In addition to requiring states to take account of the fiscal capacity of LEAs and other eligible recipients, the Vocational Education Amendments of 1976 require that 65 percent of the funds provided to states be earmarked to serve "national priority" purposes. These include service to the handicapped (10% of the state's grant), disadvantaged (20%), limited-English-speaking (a portion equal to that spent on the disadvantaged), and to postsecondary vocational training (15%). These earmarks are allowed to meet only 50 percent of applicable program costs, so state and local funds must match federal aid dollar-for-dollar. Such funding patterns have not typified state and local allocations in the past.[13]

Allocation Provisions of S. 1780.

S. 1780 substantially changes existing funds allocation provisions. A discussion of the changes in each part follows.

Part A–Special Needs Programs–Educationally Deprived Children. In Part A, subpart 1 of S. 1780, federal allocations to the county level and state allocations to districts remain unchanged. But within LEAs, S.1780 eliminates the entire network of targeting provisions designed to focus funds on attendance areas with high concentrations of poor children. In place of the Title I requirements, Sec. 1218(a) of S. 1780 requires that "all funds allocated to local education agencies [in Part A, subpart 1] shall be used to provide services to educationally deprived children." Thus, S. 1780 specifies the general target group and requires funds to be spent only on such pupils, but it no longer requires that aid be concentrated on school attendance areas with high concentrations of children from low-income families and, within those areas, on those children who have the greatest need.

Part B–Subpart 1–Vocational Education. Funds allocation requirements in federal vocational education aid would be substantially altered by S. 1780. The detailed requirements (cited above) on which SEAs are to base distribution to LEAs have been eliminated, replaced by the requirement that at least 80 percent of funds received by the state under this section be allocated "to LEAs and other eligible institutions in the state, based on enrollment and other criteria set forth in the comprehensive state plan required under Sec. 1246." No attention is required to the fiscal capacity of LEAs to offer vocational education, or to the comparative need for it.

Secondly, the setasides for national priority programs have been revised. Where current legislation earmarks 65 percent of the funds in four categories, S. 1780 has a single 35 percent earmark. In addition, S. 1780 does not include any setaside for postsecondary vocational education.

Finally, S. 1780 also eliminates the matching requirements that are part of current legislation. The overall matching provision in current law has little impact because all states exceed it, but the matching requirements on the national priority programs often exert leverage over state and local funds.

Part C–Special Emphasis Projects. The bulk of Part C is to be drawn from Part B of ESEA's Title IV. Part C, subpart 1, covers Libraries and Learning Resources. Although the general intent of the SEA funds allocation provision is maintained, they would be substantially simplified and modified. In place of the specific requirement that LEA allocations "be adjusted, in accordance with criteria prescribed by the Commissioner, to provide higher per-pupil allocations" to districts meeting the specific fiscal and educational criteria discussed previously, S. 1780 only requires that SEAs base their LEA allocations on enrollment and "any other relevant factor to be determined by the state such as tax effort, numbers or percentages or both, of students whose education imposes higher-than-average cost per child upon the state or local education agency, and the ability of the local education agency to finance public education" (Sec. 1233(a)). Thus, though still relating allocations to LEAs' fiscal and educational capacities and needs, S. 1780 changes the current criteria of ESEA, Title IV, to examples and alters the composition of these examples. Where ESEA, Title IV, refers to LEAs "whose tax effort for education is substantially greater than the state average tax effort for education but whose per-pupil expenditure is no higher" than the state average, S. 1780 makes the criterion "tax effort" alone. By eliminating the expenditure requirement, S. 1780 shifts the focus from districts with low tax wealth (where high rates yield less-than-average revenues) to any districts that tax themselves at high rates. Similar shifts occur in the other fiscal need criteria. Whereas Title IV ESEA referred to "children whose education imposes higher-than-average cost per child, such as children from low-income families, children living in sparsely populated areas, and children from families in which English is not the dominant language," S. 1780 refers only to "students whose education imposes a higher-than-average cost per child." The need criteria of ESEA, Title IV, focuses on big cities and rural areas; S. 1780 allows the SEA to set its own priorities.

Finally, S. 1780 adds a new criterion, "the ability of local education agencies to finance public education," which suggests that states should adopt criteria in allocating funds for school library resources and instructional equipment which recognize that some districts are less able than others to provide materials with their own resources. Instead of detailing the characteristics of such districts, as in ESEA, Title IV, S. 1780 states the general intent and leaves specification to the states.

The Effect of S. 1780 on Federal Funds Allocation Policies

In sum, S. 1780's changes in funds allocation provisions substantially extend state discretion over the rank order in which they place target groups, types of school district, and curricular purposes. While S. 1780 addresses the same general objectives as current legislation, it softens and eliminates specific targeting provisions. This suggests the possibility of real change in the amounts or proportions of aid that would reach target groups.

In addition, S. 1780 would modify the distribution of some funds to states. While monies currently awarded by formula would be distributed in the same fashion as under current law, several competitive project grants would change to formula grants. These are:

- ▶ *Bilingual Education* (Part A, subpart 1)–Distribution is based on the percentage of limited- and non-English-speaking children in a state as measured by the Bureau of the Census.
- ▶ *Consumer Education* (Part B, subpart 1)–Distribution is based on the percentage of children in the state between ages 5–17.
- ▶ *Other Project Grants* (most of Part C, subpart 2)—Distribution is based on the percentage of children in the state between ages 5–17.

Altering the distribution patterns in this fashion would significantly change the purpose of these programs. The theory behind competitive grants is that the awarding agency will receive more requests than it has funds, and will award money to those projects with the greatest potential for success. Competitive grants are thus used to concentrate resources on specific national objectives as well as to stimulate the development of new approaches. Changing to formula grants will eliminate the ability to select those projects most likely to advance federal objectives and interests. As a result, the specific effects of federal funds may be diminished.

Regarding funds allocation, S. 1780 may buy simplification and broader state discretion at the price of changing both the purposes and the ultimate effects of federal aid to education.

Flexibility

In recent years state and local officials have vigorously sought increased flexibility in administering *federal* grant-in-aid programs. Flexibility, or the ability of state and local administrators to respond easily to new or changing conditions, is impossible when myriad rules and regulations restrict independent action toward a particular end.

Congressional testimony and research reports show that often state and local staff are hampered by overly restrictive regulations that do not consider the environment in which those regulations operate. State educational personnel complain that current federal programs do not permit them to make federal assistance congruent with state needs and priorities, even when both share an educational objective. In addition, federal requirements often create disincentives for states to augment federal activity by developing their own programs with similar purposes. Although state laws must yield when contradicted by federal requirements, such instances can create tensions that affect administrative quality.

In recent Senate hearings, the director of federal funding for the Texas SEA indicated that P.L. 94–142 regulations contradict state requirements designed to accomplish the same end:

> "We have got all sorts of problems in carrying out this mandate [P.L. 94–142] in terms of some state laws. Due process on some of these are giving us difficulties, *not because of difficulty with the concept of due process*, but difficulties because of the specifics where we have a procedure in the state and the federal procedure would differ."[14]

Complaints about the complexity and inflexibility of Title I are legion. California's Chief State School Officer, Wilson Riles, illustrated the problems of a local administrator trying to deliver educational services within Title I requirements:

> "A school principal recently asked a federal Title I official if it was okay to take 10 non-Title I children in a class of 30 on a field trip. The principal said it would cost no more to include the 10 youngsters on the trip planned for the 20 eligible Title I students. In response, the Title I official said, 'No, because the regulations don't allow non-Title I children to benefit from Title I money.' 'Well,' the principal asked, 'Could the district pay for the non-Title I children?' The answer was 'no' because it would violate comparability requirements.
>
> "The principal was getting confused and frustrated so he proposed leaving the ten non-Title I children behind and just taking Title I youngsters. The answer was 'certainly not' because that would be an act of segregation. Well, the principal knew he was licked so he asked the federal Title I official for some advice. The official was quick to reply that, 'I'm not here to make suggestions; it's my job to see that you don't violate the law.' Dejected and disappointed, the principal concluded that he would probably just cancel the whole trip. To that, the official pointed out that you ought to have field trips because they provide cultural enrichment for Title I students. Not wanting to violate the law, the principal said, 'Okay, we'll have the field trip.' The federal official immediately shot back with the suspicious question, 'How are you going to pay for it?' With a

slightly confident smile the principal said, 'You'll never know,' and walked away."[15]

While Riles' description may be slightly overstated, that a state superintendent should feel called upon to recount this kind of frustration in such detail suggests its pervasiveness.

Officials have argued that rigid federal and state administration and interpretation of Title I requirements about not supplanting and not commingling funds have, in effect, stigmatized and isolated Title I children by "pulling them out" in order to account for services.

There is considerable confusion in the field about Title I requirements. As the Senate Conference Report noted on the "pull-out" issue:

> "An important issue for some state and local school officials is whether Title I requires or encourages a particular instructional strategy. An NIE contractor concluded that Title I neither requires nor encourages any particular instructional strategy. Nevertheless, the same contractor concluded that some state and local officials express the point of view that DHEW auditors, in fact, encourage one particular instructional strategy—the pull-out design. *The committee wishes to emphasize that Title I should not be construed to encourage or require any particular instructional strategy.* The OE should develop regulations which inform program administrators how to design 'in-class' as well as 'pull-out' programs."[16]

Although complaints arise most frequently about the lack of flexibility in Title I of ESEA, similar criticisms can be made about most federal education programs.

S. 1780 Provisions for Flexibility. Not only has the number of categorical programs grown significantly over the past ten years, but the specific requirements of each have increased as Congress has examined their implementation and effectiveness. Each reauthorization has brought more stringent provisions for information that must appear in state plans concerning program descriptions, monitoring and evaluations.

S. 1780 simplifies and eliminates many such provisions in existing programs:

> "Except as provided in this title, no other provision of law authorizing a program consolidated under this title shall apply . . ." (Sec. 1204).

State Plans. S. 1780 requires a single comprehensive state plan with broad latitude for its contents. A needs assessment must be developed that includes:

> "A comprehensive assessment . . . of the educational needs of the children of that State aged five to seventeen, inclusive, for educational services, the needs of children below aged five eligible for services under this Act, the needs of adults in that State for basic educational and continuing educational services, and for vocational education programs, the local labor market requirements, the current status of employment and the economy, the location of training facilities, and the needs of the individuals to be served. Particular attention shall be given to the identification of children with special educational needs, the services which the students are receiving, and the need for continued, additional, and related services for each of the programs specified in parts A, B, and C of this title." (Sec. 1245(1)).

The information required or the procedures to be followed are not specified further. Although plans must, for example, provide "identification of children with special educational needs" and give information on "local labor requirements" and "the current status of employment and the economy," no criteria stipulate what data these descriptions should include or how the economic profile should be developed.

There is a requirement for a local comprehensive plan implied in Sec. 1246(6), Sec. 1246(11) and Sec. 1246(13), but its content is not specified, nor is it clear what S. 1780 specifically requires of a local needs assessment.

Monitoring. Monitoring is required by both the SEA and OE. State monitoring must meet the criteria developed by the Commissioner (Sec. 1249(a)). Those criteria should include whether programs have been implemented and:

> "the appropriateness and effectiveness of services provided to the individuals identified [in need in the comprehensive state plan]; and the effectiveness of the procedures established pursuant to the requirements of all other subsections of Sec. 1246 (Sec. 1249(a)(2))."

Monitoring activities of the state or OE are not to increase the paperwork of SEAs and LEAs (Sec. 1249(3)(e)).[17]

S. 1780 does not seem to require states to define the purpose or scope of their monitoring, indicate how often it will occur, or what kind of report will be produced. Neither does the proposal require that SEAs or LEAs respond to their monitoring reports.

Technical Assistance. States must devise procedures to give LEAs technical assistance. The nature and amount of that assistance is not specified in S. 1780, nor is it clear that assistance is required for each subpart of the consolidation.

Evaluation. States and local education agencies are required annually to evaluate their programs, using a single model developed by the Commissioner (Sec. 1250(b)(1)) in consultation with the demonstration states (Sec. 1250(a)).

Parent and Advisory Councils. Recent testimony by Albert Alford, Assistant Commissioner for Legislation, OE, revealed that many categorical programs required separate state and local advisory councils.[18]

These advisory councils, as well as the Title I Parent Advisory Council at the school level, are not required under S. 1780. Rather, the legislation requires:

> ". . . participation of interested citizens, local educational agencies, units of general local government, appropriate State agencies and organizations, and, if appropriate, prime sponsors under the Comprehensive Employment and Training Act of 1973, prior to and during the development of the comprehensive plan." (Sec. 1245(3)).

In addition, Sec. 1246(6) suggests a local education advisory council should review programs developed for educationally deprived low-income families:

> ". . . that a program site advisory council will be established for programs pursuant to sections 1211 and 1216[19] (sic) to advise in the development of the plan for such programs." (Sec. 1246(6)).

Will S. 1780 Increase Flexibility? Unquestionably, the Domenici-Bellmon proposal gives greater flexibility to state and local officials in choosing how to administer federal monies. However, such increased flexibility comes at the cost of existing federal requirements. The statement of purpose says the legislation is designed "to increase state and local flexibility while maintaining certain federal purposes." The key word is "certain." State and local flexibility is increased by eliminating or relaxing some current federal requirements and regulations. The number and importance of the relaxed requirements varies among the programs being consolidated.[20] Thus the increase in discretion entails a decrease in the number and extent of federal regulatory provisions that currently govern federal education programs.

Additionally, while many state and local administrators criticize federal regulations, some find them an important vehicle for advancing state and local social policy. They feel that the extent to which states meet national goals relates directly to how specific the federal requirements are. These officials say that the leverage given by federal regulations helps them to persuade reluctant state or local staff to adopt significant programs. Without that leverage, these officials have only their hortatory talents to use in moving a system slow to respond to social needs.

Summary and Conclusion

A central concern of our analysis of S. 1780 was the question: Does this consolidation change the administrative structure of federal aid without altering its outcome? In its present form, S. 1780 represents a major change in the role of the federal government in education. Our analysis suggests that this proposal would significantly shift both the types of services delivered and who receives them.

While broad categories are maintained (e.g., assistance to low-income children, handicapped children, and vocational education), S. 1780's provisions for defining these general categories and the components of services to be delivered suggest that federal dollars would be spent in identifiably different ways. Disadvantaged students would receive federal funds, but they would no longer have to be students in greatest need. Handicapped students would be served, but not necessarily in "the least restrictive environment." Vocational education programs would continue, but they might not reach many handicapped or economically disadvantaged students. While school districts would receive funds for Title IV, states would no longer have to adjust their allocation formulas to favor low-wealth districts making high tax efforts.

The history of present legislation seems to have been largely ignored in the S. 1780 proposal, which relies heavily on a broad mandate for state and local needs assessments as the basic guarantee that federal goals will be met. Planning, monitoring, and evaluation, while required in general terms, are not clearly specified.

But what of the explicit goals of Domenici-Bellmon—to streamline intergovernmental administration and assure the delivery of more efficient, effective services? Our brief examination of the paperwork burden indicates that the problem is not merely one of multiple program delivery. Consolidation and paperwork reduction are not synonymous; while some paperwork is reduced by S. 1780, the bill would also add new paperwork. The proposal attempts to win flexibility, on the one hand, while maintaining certain federal purposes, on the other. The extent of that flexibility leads us to question whether, and in what substantive way, "certain purposes" will be affected. For example, bilingual programs will exist, but not necessarily bicultural ones; handicapped students will receive services, but individual educational planning will not be required.

Under S. 1780, flexibility is granted to states and local education agencies and coordination is greatly encouraged. While the proposal requires states to give assurance that coordination will occur, it fails to define this and asks no evidence of compliance as a condition of funding. Yet, without managerial commitment, no amount of exhortation will produce coordination. Managers who want to improve coordination among programs could use S. 1780 as an occasion to do so, but nothing in existing law prevents them from doing so today.

Clearly, the time is ripe for simplifying the present federal aid structure. But our analysis confirms a major irony: simplification itself is extraordinarily complex. Contemporary aid provisions and reporting requirements have developed over the last fifteen years to serve substantive Congressional purposes. There is no question that S. 1780 accomplishes what it sets out to do: change the structure, while "maintaining certain federal purposes." Equally, there is no question that, in the process, other important federal purposes are abandoned. Congress must make explicit which federal purposes it is willing to sacrifice for a much-needed improvement in grants administration. Only then can legislation achieve the middle ground sought by Senators Domenici and Bellmon.

Footnotes

[1] "Changing the Federal/State Partnership in Education: An Analysis of S. 1780, The Reorganization and Consolidation Demonstration Project," prepared by EPRI for the Senate Committee on Human Resources, January 1979.

[2] U.S. House of Representative, 95th Congress, First Session, *HR. 15: To Extend for Five Years Certain Elementary and Secondary and Other Education Programs—Part 2: Paperwork Problems in Elementary and Secondary Education*. Hearings before the Subcommittee on Elementary, Secondary and Vocational Education of the Committee on Education and Labor, May 24, 25 and 26, 1977. Washington, D.C.: U.S. Government Printing Office, 1977.

[3] The Commission on Federal Paperwork, *Report on Education*. Washington, D.C., April 18, 1977.

[4] *Ibid.*

[5] Council of Chief State School Officers (CCSSO), *Report and Recommendations of the Paperwork Reduction Task Force*, Presented to the U.S. House of Representatives, the Subcommittee on Elementary, Secondary and Vocational Education of the Committee on Education and Labor, November 1977.

[6] In conjunction with this criticism is incomprehension by states and districts about why certain data are collected or how they will be used. Experience with OCR forms 101 and 102 is a case in point (See, for example, testimony of Phyllis McClure and Marian Edelman before the Senate Subcommittee on Education, Arts and the Humanities, 1977; see also Education USA, November 22, 1976).

[7] The comprehensive state plan alone must include twelve kinds of paperwork: (1) a state needs assessment (Sec. 1246(1), (2) a statement of goals, objectives and description of programs to be assisted (Sec. 1246(2)(A)), (3) a description of the types of individuals to be served in each program, services to be supported and estimated enrollment for each program (Sec. 1246(2)(B)), (4) policies and procedures for distribution of funds (Sec. 1246(3)), (5) a description of program consolidation administration (Sec. 1246(4)), (6) procedures the state has developed to insure that each LEA develops a comprehensive plan (Sec. 1246(6)), (7) provisions for audit of LEAs (Sec. 1246(7)), (8) procedures for assuring that LEAs receive funds comparable to preceding fiscal year (Sec. 1246(A) and Sec. 1246(B)), (9) assurances that funds will not supplant state and local expenditures (Sec. 1246(9)), (10) assurances that funds pursuant to 1311, 1313 and 1315 [sic] will be used for excess costs of programs (Sec. 1246(1d))), (11) procedures to eliminate paperwork in regard to LEAs (Sec. 1246(12)), and (12) due process and appeals procedures for LEAs in regard to state administration of this consolidation (Sec. 1246(13) and (14)).

[8] For example, there are no requirements for demonstrating target school attendance areas, comparability or serving those with the greatest need.

[9] There is no requirement for maintaining Individual Education Plans (IEP) for each handicapped child.

[10] See, J. S. Berke and M. W. Kirst, *Federal Aid to Education: Who Benefits? Who Governs?* Lexington, Massachusetts: Lexington Books; 1972; J. S. Berke, J. H. Moskowitz and J. G. Sinkin, "Federal Aid and State School Finance: Present Patterns, Future Alternatives," in J. J. Callahan and W. H. Withen (eds.), *School Finance Reform: A Legislator's Handbook*, Washington, D.C.: National Conference of State Legislatures, 1976; and A. L. Ginsburg and J. N. Killalea, *Technical Analysis Paper 5: Patterns of Federal Aid to School Districts, Washington, D.C.:* U.S. Department of Health, Education and Welfare, Office of Planning and Evaluation, March 30, 1978. (Offset)

[11] The Education Amendments of 1978 departed somewhat from this provision by permitting LEAs in special circumstances to substitute attendance areas with high concentrations of educationally deprived children for areas with high concentrations of poor children. The conditions and limitations surrounding this provision, however, make clear that, for locating Title I projects, areas of poverty remain the targeting rule, educational deprivation the exception.

[12] See, Berke and Kirst, *op. cit.;* Berke, Moskowitz, and Sinkin, *op. cit.;* and Ginsburg and Killelea, *op. cit.*

[13] See analysis of six states' treatment of vocational education funds criteria and distributions in Berke and Kirst, *op. cit.*

[14] U.S. Senate, Committee on Human Resources, 95th Congress, First Session. *Education Amendments of 1977.* Hearings before the Subcommittee on Education, Arts and the Humanities, October 12, 13, 20, 21, 24, and November 2, 1977. Washington, D.C.: U.S. Government Printing Office, 1978, p. 752.

[15] *Ibid*, p. 98.

[16] Senate Report, No. 95-856, 95th Congress, 2nd Session, p. 14, emphasis added.

[17] In this context, what is meant by "additional paperwork" is unclear.

[18] U.S. House of Representatives, 95th Congress, First Session, *H.R. 15: To Extend for Five Years Certain Elementary and Secondary and Other Education Programs*. Hearings before the Subcommittee on Elementary, Secondary and Vocational Education, of the Committee on Education and Labor, May 10, 11, 1977. Washington, D.C.: U.S. Government Printing Office, 1977.

[19] There is no Sec. 1216 in the August 23, 1978 version of S. 1780.

[20] For an in-depth analysis of current Title I, ESEA requirements eliminated by S. 1780, see M. Gaffney, and D. Schember, *An Analysis of the Impact of the Proposed Optional Educational Simplification Act (S.1780) on Title I of the Elementary and Secondary Education Act of 1965* prepared for EPRI of ETS, January 1979.

III

Considerations on a Consolidation Bill

Charles W. Lee

For different reasons and from differing premises, there appears to be a consensus that the federal government has a legitimate concern that all American citizens have the opportunity to obtain access to an education suitable for the development of their individual talents and capabilities. How this is to be brought about, what portion of the cost of providing equal access is to be borne by the individual, and what portion by which governmental level—local, state or national—are questions to which differing answers are given by men and women of good will and strong convictions.

The block-grant or consolidation concept can, in principle, be considered to be the first step in arriving at an *attainable goal*—the assumption by the federal government of a fair share of the cost of educating every American student attending public institutions at the elementary and secondary level. The concept of an "attainable goal" is posited because, in 1961, the Senate after ten days of floor debate passed S. 1021, the School Construction and Teachers Salaries Act of 1961, a general aid measure. Although it was the belief the votes existed in the House to enact a comparable bill and, indeed, a companion measure (H.R. 7300) had been reported from the House Education and Labor Committee, a procedural roadblock enabled opponents to prevent the matter from proceeding to conference. Following that

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episode and acting upon the assumption that until the House rules were changed similar general aid bills could and probably would be bottled up indefinitely, the decision was made to concentrate on the enactment of categorical measures as an interim policy.

With the successful enactment of the spate of educational legislation of the 1960's, the ultimate goal of providing general federal aid receded into the background. The current interest in the block-grant concept, as exemplified by the introduction of Amendment S. 1720, may reopen the way for broader consideration of the general federal aid approach to educational funding.

This paper discusses the format, substance and implications of Amendment 1720 offered by Senator Domenici on August 23, 1978 calling for grants consolidation. The paper is divided into five sections. The first four areas discussed are:

(1) factors possibly affecting reconsideration of the Amendment;

(2) implications for the structure of the Office of Education;

(3) possible limitations upon the roles of the authorizing, budget and appropriations committees; and,

(4) possible implications for the present requirements contained in the General Education Provisions Act (GEPA).

The final section, in addressing five critical questions, focuses attention on the precise language of the bill.

FACTORS AFFECTING RECONSIDERATION

In offering the Amendment on August 23rd, Senator Domenici stated:

> ". . . I feel quite certain the votes exist in the Senate to pass this Amendment today. I am concerned, however, since no similar provisions exist in the House bill, that such a vote will produce a hollow victory, as the amendment would certainly be dropped in conference . . ."

There appears to have been a realistic assessment of the situation that existed in the 95th Congress. The acknowledgment by Senator Domenici that the House bill (H.R. 15) had not included comparable provisions points directly to one weakness with respect to the Amendment. Although the sponsor had been working since 1975 on his approach and, indeed, had enlisted as co-sponsors two members of the Senate Human Resources Committee, spade work in support of the concept in the House had either not been done or, if done, had been unproductive.

It is generally agreed that the focus of authorizing committees in the 96th Congress will be on postsecondary education. While this might pose no bar in the Senate to attaching a non-relevant amendment involving elementary and secondary education, such as Amendment S. 1720, this might not be the case on the House side.

The reauthorization of major programs involves many delicate compromises. The most sensitive and most tenuous of these are those which establish the formulas which control the distribution of funds. Every opportunity is sought to "rectify inequities" by those whose views did not prevail and who remain dissatisfied with the compromise that was reached by the majority.

The House rules of germaneness which govern what may be offered to a bill are quite strict. If a majority of the members of the House Committee on Education and Labor, being primarily engrossed with post secondary provisions, fear that the addition of a provision relating to elementary and secondary education might lead to a wholesale attempt to reopen settled issues, there is a high probability that a controversial amendment having the same effect would arouse even greater antagonism than might be expected from a review solely on the substantive merits.

It is not generally perceived outside the Congress that there are built into our system what may be termed "institutional rivalries." Concepts have been successfully opposed simply on the basis that an idea "originated in the other body." Even though an idea originating in the other chamber might be accepted in conference, it may be at the price unwillingly paid for obtaining approval in an entirely different area as a trade-off.

The point may well be made on the House side that, since P.L. 95–561 is now operative, but regulations concerning it are yet to be issued and applied at the State level, it would be premature to judge the relief offered by that measure to correct the "paper-work, red tape" syndrome.

In addition to the foregoing "institutional" considerations, there is an additional point to be mentioned. The Amendment, in Sections 1324 and 1345, contains language authorizing "bonus grants" for states which include in their comprehensive state plans procedures for conforming employment and training authorities under the CETA program with the restructured Vocational Education Act programs. Again, the substantive rationale for inclusion of this authority might not be an issue but, since CETA falls within the jurisdiction of a separate subcommittee of the House Education and Labor Committee, and since Amendment S. 1720 can be read as removing the applicability of the Davis-Bacon Act fair labor standards provisions from those States which are selected for the demonstration project and opt to construct vocational education facilities, there is a possibility that subcommittee jurisdictional problems could arise to impede adoption of the concept on the House side.

As a result of joint Office of Education and the Department of Labor's Office of Youth Programs initiative in establishing four 18-month demonstration projects scheduled to start in September 1979, a further complication could occur if the administration should decide to seek changes in the legislative authorities in this area. The fact that such a demonstration program is being undertaken, the results of which will not be apparent for some two years, could be used against the Amendment as an unnecessary duplication.[1] There could be, however, a full ventilation of concepts during the course of joint subcommittee hearings focused on the relation between education and training programs at the local level and on the coordination between schools and prime sponsors under the Vocational Education Act and the Comprehensive Employment and Training Act planned for next year in the House.[2]

IMPLICATIONS FOR USOE

Changes in the structure and operation of the Office of Education would have been relatively modest and the costs might well have been absorbed within existing budgets if (1) Amendment No. 1720 had been merely an exception to existing statutes for six states selected from those applying; (2) the exclusion had applied only to formula grant programs, with states receiving an amount as a block grant equal to that which they would otherwise have received under the enumerated statutes; and (3) the Amendment further had empowered the National Institute of Education to monitor the manner in which the funds made available were expended in the selected states, contrasting the results achieved against the results obtained from six comparable states operating under existing statutes. Such a demonstration might have given an even better test of the concept than that provided by the Amendment as now written.

Section 1348 of the Amendment, however, mandates the establishment of a "separate, identifiable administrative unit" to carry out the functions assigned to the Commissioner under the program. The operational definition of such a unit might include:

1. at least two professional and four support personnel for each major program involved;
2. at least one professional and two support personnel for minor programs affected;

3. at least one liaison administrative position as the representative of the Commissioner to each participating state to carry out monitoring requirements. Such a position would, in addition, require junior administrative support staff; and since Section 1349(e) precludes "additional paper work" of the agencies under review, provision would be needed for clerical and stenographic services, field office space, supplies and equipment.

Selection of participating states also would pose problems for the Commissioner requiring fairly high-level legal and political counsel to "assure that states selected will represent various *demographic characteristics* such as size and *educational governance*" (Emphasis supplied). For instance, it seems inescapable that application by a state large in population or area, having a great number of local education agencies operating within it, would have to be given most serious consideration, even though the consequence of selection might be a ballooning of the personnel needed to carry out the Amendment requirements which could impose serious salary and expense stresses upon the Office of Education.

LIMITATIONS ON THE COMMITTEES

The Authorizing Committees

To provide incentives for states to participate, monies would come from the Commissioner's discretionary funds, including the Special Projects Act and Teacher Corps. The function of the Special Projects Act is to provide a mechanism whereby Congress establishes, in effect, a demonstration program in an innovative area of education. If the program gains a large measure of popular support, it is, in effect, graduated into a separate authority with its own funding authorization.

The Special Projects Act is relatively recent and authorizing committees may wish to consider whether it should be vitiated as a side effect of legislation in another area. No state now has an entitlement to this program. Adoption of the Amendment would confer upon the selected states such an entitlement for funds without carrying with it a duty to use the funds so received for the purposes intended by the Act. Whether funds are used in the manner intended by Congress will be solely at the discretion of the local educational agency plan operating under the comprehensive plan of a selected state.

Budget and Appropriations Committees

With respect to those programs which do not now have a formula approach and which would therefore be assigned a 5–17 age population ratio formula, the attenuation of discretionary funds available to the Commissioner as a result of the operation of Section 1341 could seriously distort those programs. To exemplify the problem, according to the July 1, 1977 Census Bureau estimates, there were two states which alone had 8,677,000 or 17.03 percent of the nation's total children in this age group.[3] The flow of funds, and the unpredictable distortion of that flow among the states as a result of the operation of Title XIII, might pose problems for the Appropriations Committees, not only in programmatic terms, but also as implicitly suggested earlier, in the provision of the salary and expense funding for the Office of Education. The Amendment would seem to impose constraints upon the freedom of the Appropriations committees to allocate annually specific funding levels within the authorized ceilings for specific programs, any of which—like magnet schools or ethnic heritage studies—have strong supporters among members generally.

The effect of enactment of Title XIII would not be as severe on the Budget committee operations, but since it would commingle subfunctional categories under which programs are now subsumed, it might add a small imprecision to the aggregates now carried under Budget Subfunctions 501 and 503. Of greater import might be the pressure for additional funding to liquidate the inherent costs of new programs of "bonus grants" authorized by the Amendment.

Another concern to the Budget and Appropriations committees will be economy and efficiency. These twin criteria, which should apply to all legislation, must be balanced in this particular Amendment against the value of "freedom from red tape" at the state level which is one of the major thrusts of the Amendment.

The Amendment may well entail substantial cost increases at the national level, although this is difficult to predict with accuracy until the program is operational and the states selected are known. Given the requirements and constraints inherent within the described state comprehensive plan approach of Title XIII, personnel to carry out the mandated activities of the Commissioner of Education could vary considerably. Fewer personnel would be needed for a state such as Utah or Rhode Island than would be required for a state such as California, Illinois or New York. Travel costs would differ were Alaska, Hawaii, Guam or the Trust Territory of the Pacific to be selected to participate, rather than the District of Columbia. The "demographic characteristics, such as size and educational governance" state selection criteria of Section 1303(b)(2) would almost mandate the inclusion of a state such as Hawaii should it apply, as the state operates an almost unique "educational governance" system, with the state being the local educational agency. Within the continental limits of the United States, only the District of Columbia parallels this structure.

The cost features of the Amendment, over and above the transfer payments derived from the programs to be consolidated, are matters which in all likelihood would be of some concern to the Budget and Appropriations committees. For example, additional appropriations would be necessary if Section 1324 "bonus-grant" provisions are to be implemented; supplemental grants under Section 1347 authorization are made for ten percent of the aggregate amounts the participating state is eligible to receive. Planning costs are authorized separately, and are not to exceed $1 million per state.

A final consideration is the reappropriations issue. Section 1345(4) requires legislatures of selected states "be informed of the development of the procedures required by this subsection." Since the legislatures are not overtly involved in the demonstration proposal otherwise, a question is raised as to why it was deemed appropriate to write them into the language of the Amendment. The question is relevant at this point since it could be construed as an encouragement of the practice, now found in a few states, of making federal funds received by the states subject to a re-appropriation by the state legislature before they can be made available for use by state agencies.

This practice, which is now under court attack, is controversial. Should the Amendment be enacted without change in this particular, it might be argued that by this language the Congress was giving its approval to what is certainly a major policy concern to all three sets of Congressional committees involved with education.

IMPLICATIONS FOR THE GENERAL EDUCATION PROVISIONS ACT (GEPA)

Perhaps of greater importance to policy implications of the Amendment are the provisions of Section 1304 as they may impinge upon the requirements contained in the General Education Provisions Act.

Section 1304 states expressly:

> "Except as provided in this title, *no other provisions of law authorizing a program consolidated under this title shall apply to the provision of financial assistance to a State selected for this demonstration* which has a comprehensive State plan in com-

> pliance with the provisions of this Title, with respect to the programs covered by that plan. *All administrative regulations shall be consistent with the provisions of this Act for States participating in the demonstration.*" (Emphasis supplied)

If the intent is to exempt and supersede existing law with respect to the consolidated programs within the participating states, then some questions can be raised regarding the applicability of some of the GEPA requirements.

There can be no question that Section 1346(8) of the Amendment replaces provision for the "Maintenance of Effort" on the part of a participating state set forth in GEPA Section 431A. If it does so totally, since there is no comparable language in the full Amendment, the authority of the Commissioner to waive certain requirements in exceptional cases may be lost, since the broad authority conveyed by Section 1304 of the Amendment might govern.

Again, Sections 1322(b)(1)(E) and 1354 of the Amendment deal with construction authorities for the consolidated programs. Since this area is explicitly mentioned, but without language requiring that the use of construction funds be conditioned upon the observance of Labor Standards (Davis-Bacon Act, GEPA Section 433), a question arises as to whether Section 1304 would erase this long standing Congressional concern. The question becomes more acute since assurances in the comprehensive state plan are required to be given for certain long standing Congressional concerns, e.g., use of funds to supplement but in no case to supplant state or local funds. When recognition is given to certain safeguards, but omitted for others, the intent of the sponsor with regard to the omitted items could be the subject of legitimate inquiry on the part of the committees.

In the area of Civil Rights requirements (Section 1355), specific reference is made to Title IV of the Civil Rights Act of 1964, Title IX of the Education Amendments of 1972, and Section 504 of the Rehabilitation Act of 1973. However, the proposed amendment is silent on Title VI of the Civil Rights Act of 1964 (GEPA Section 428), again raising the question that Section 1304 might be used as a shelter against an action the Commissioner might otherwise be required to take. Similar questions could be raised about other provisions of GEPA not mentioned in Title XIII.

The language of Section 1353 of the Amendment which explicitly limits GEPA Section 434(a)(2) raises a different question. The Section reads:

> "The Secretary and the Comptroller General of the United States, . . . may only audit activities undertaken within the state with funds provided under this Act."

Although not intended, it is possible that this limitation could be used to bar the examination and audit of non-consolidated programs within the state.

To conclude, but not necessarily exhaust the possible effects of the Amendment on GEPA requirements, Section 1348(b) of the Amendment should be examined in the context of GEPA Section 406A, Responsibility of States to Furnish Information.

Section 1348(b) requires:

> "The Commissioner shall establish procedures to eliminate all unnecessary paperwork in regard to information required of State and local educational agencies."

Further, Section 1349(e) requires:

> "Monitoring activities carried out by the Commissioner or State education agencies shall not require additional paperwork of the agencies under review."

If these provisions nullified the GEPA requirements, Congress would be denying itself information helpful to the legislative process which the Commissioner, from his or her viewpoint, could declare "unnecessary." The question, however, may be moot since the area was covered extensively in the recently enacted P.L. 95–561.

The previous discussion did not consider whether GEPA provisions should or should not apply to demonstration programs. GEPA, however, is part of crystallized federal policy and is grounded on past legislative battles. The intent of the ambiguous sections of the Amendment should be made clear, in the course of which, future legislative policy could be clarified.

The language of an amendment as broadly scaled as that proposed necessarily contains much of what might be termed "legislative shorthand." It is in the interest of Congress that such shorthand be translated in full in order that Senators and Members of the House, in deciding on the merits of the measure, are informed about the costs and consequences of their decisions. To leave such ambiguities to subsequent interpretation by federal and state bureaucrats is somewhat unfair to the legislative process.

FIVE CRITICAL QUESTIONS

The purposes of the Amendment as set forth in Section 1301 are to:

Test the feasibility and *assess the utility of program* reorganization and consolidation in order to:

(1) promote program efficiency;

(2) reduce paperwork;

(3) reduce the amount of time expended by teachers and other educational personnel in administering federal education programs;

(4) increase state and local flexibility while maintaining certain federal purposes; and

(5) coordinate federal programs with each other and with state and local programs in order to increase the effectiveness of the education program in meeting the needs of the nation's school children.

In the following discussion, five questions are addressed that are applicable to the proposed amendment. Each question will be examined to determine if the language of the amendment permits answers that would justify further serious consideration.

Does the Language of the Amendment Do What the Proponents Want Done?

The Amendment requires that the Commissioner "prepare and design a model for evaluation of program effectiveness;" that each state be "responsible for the use of that model in program evaluation;" and that the National Institute of Education undertake "a thorough evaluation and study of the effectiveness of the reorganization and consolidation authorized." This evaluative information should provide the proponents with sufficient data to assess the effectiveness of the proposal, and thereby to accomplish the goals of the proponents.

Does the Language Chosen Do More than the Proponents Desire?

The answer to the second question is not quickly or easily obtained. Questions were raised in this paper about the potential effects of the amendment on existing law, particularly the General Education Provision Act. The section of the Amendment dealing with "applicability to Existing Law" and the section relating to restrictions of existing authorities of the Secretary of HEW, and the Comptroller General under the General Education Provisions Act, are so broadly drawn that serious questions are raised about the consequences of the language used. The Amendment might well do more than the proponents intend.

What are the Direct and Indirect Cost Factors Involved in Achieving the Desired Goals?

The third question involves value judgments. While one might question on *a priori* grounds whether the tradeoff of time now spent on required paperwork is worth the cost of participating at the national, state and local level, the matter is one which, in principle, is testable and verifiable.

To determine whether the costs are disproportionate to the benefits, Congress might wish to have a clearer picture of the dollar amounts involved in all phases of the amendment. A more informed decision could be made by Congress if cost analysis were obtained based on estimates of direct and indirect charges by the Office of Education and the National Institute of Education. The analysis should include a discussion not only of the salary and expense account areas, but also estimates of the effect on funds for non-participating states. An estimate should be made of the potential funds diverted by the amendment by the use of a population-based distribution to participating states. The discussion should also focus on the degree to which the diversion of funds could impair the national purposes inherent in Teacher Corps and Special Projects legislation. This information could be obtained using estimates of current fund allocation.

The assumptions underlying this discussion are that the cost factors are largely of a transfer payment nature and that costs could be held down by appropriation action in the aggregate. While the assumption can be challenged, such a challenge ought to be based on ascertainable information.

Are There Non-substantive Considerations Which Might Affect the Realization of Goals?

If the present Amendment were reintroduced without change, non-programmatic factors might affect the concept. This would be a premature judgment, however. As indicated previously, the principal proponent had reservations about the fate of the amendment in conference.

Additional factual information, particularly in the cost and program areas, should help the responsible Committees come to their decisions.

How do the Proposed Changes Relate to Existing National Interest Components Carried in Current Statutes?

Since consolidation and reorganization *per se* involve changes in specific programs enumerated for restructuring, the national interest would be met for these programs. For other affected statutes, the question has not been resolved.

Footnotes

[1] *Education Daily*, Dec. 15, 1978, p. 6: "The U.S. Office of Education and the Department of Labor's Office of Youth Programs have announced a new joint initiative to improve collaboration among vocational educators, local education agencies, and CETA prime sponsors through an interagency agreement to fund demonstration projects . . . The Startup date is set for September 1979, and the projects will run for 18 months."

[2] *Education Daily*, December 19, 1978, p. 6: "Ed/Labor Subcommittees to Hold Hearings on Youth Employment. The Chairman of the House Subcommittee on Elementary, Secondary and Vocational Education and the Subcommittee on Employment Opportunities have invited leaders in vocational and career education to advise them on planning joint hearings next year."

[3] Bureau of the Census, *Estimate of Population of States, by age: July 1, 1977 Series P-25, Current Population Reports, Population Estimates and Projections*, November, 1978.

PART II

CATEGORICALS: REPLACE, REFORM OR RETAIN?

IV

Federal Aid Reform: The Grants Consolidation Approach

Carl W. Stenberg

Consolidation, as a strategy for reforming federal grant-in-aid programs, is both deceptively simple and extraordinarily complex. Its simplicity lies in the presumed benefits of merging many functionally related, narrow-purpose programs into a single grant. Its complexity stems from the political forces at the national level and in the intergovernmental system that condition such changes. As a result, proponents of consolidation often overstate its positive effects and underestimate the ability of opponents to preserve the program *status quo*.

The frequent failure of those who design and implement federal aid programs to understand the purposes, processes, and politics of consolidation is underscored by the semantic confusion that often accompanies discussions of this approach. The dictionary defines the word "consolidation" as simply a bringing together, uniting or combining of separate parts. In the context of the federal grant-in-aid system, however, it has received a much broader interpretation. To some, consolidation means a merger of two or more categorical programs to achieve greater simplicity, economy, and effectiveness at the national level. Others, however, consider consolidation to be a vehicle for decentralizing decision-making over the uses of federal funds by recipients and tend to use the term synonymously with "block grant." Still others view consolidation much like revenue sharing in the sense that it

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is a means of reducing paperwork and other requirements that often increase recipient administrative costs, cause processing delays, and generate concerns about policy intrusiveness on the part of grantor agencies.

This paper attempts to clarify the nature, purpose, and need for grant consolidation and to distinguish it from other types of federal assistance and approaches to grant reform. Against this background, S. 1780 as a grant consolidation opportunity will be discussed.

Federal Aid in Flux

The system for delivering federal aid to state and local governments has been criticized as a crazy-quilt patchwork of numerous, separate, narrow-purpose grants. Critics portray this arrangement as being irrational, ineffecient, and inflexible—a "nonsystem." They contend that, at a time when the rate of inflation is rising, federal deficit spending is continuing, and the Proposition 13 sentiment is spreading, the redundancies inherent in federal grants-in-aid can no longer be afforded or tolerated. They cite categorical programs as the chief culprits and consolidation as the most promising remedial action.

On the other hand, defenders of categorical aids assert that this device is a pragmatic and politically popular way to target federal funds on nationally important problems, as well as to assure that recipients properly use such monies. While there are some administrative friction points involved in the delivery of federal dollars, they note, the "nonsystem" has functioned rather well over the years considering the range of programs, the amount of funds and the number of participants. They are understandably less sanguine about the need for consolidation and more skeptical of the benefits that merger is supposed to produce.

These opposing viewpoints have crystallized during the past 20 years as the amount of federal aid and the number of grant programs have mushroomed. Significant changes have also taken place in the instruments used to dispense such assistance. The major features of these developments include the following:

- In fiscal year 1978, federal aid to state and local governments will exceed $80 billion. This represents a 10 fold increase since 1960. The share of the federal government's budget accounted for by these assistance programs has more than doubled since 1960, from 7.6 percent to 17.4 percent.
- Federal aid amounts to about 25 percent of state budgets and an even larger share of many local budgets, especially those of the

nation's largest cities. Such funds constitute about 35 percent of the total general revenues collected by states and localities from their own sources.

- Approximately 79 percent of the federal aid total is dispensed through formula (i.e., entitlement) or project (i.e., competitive) based categorical grants, with the remainder provided through block grants or general revenue sharing.
- Despite the growth of the non-categorical portion of the federal pie in the past ten years, the number of categoricals has steadily increased. Over 240 programs were enacted during the Johnson Administration and at least 120 were added during the Nixon-Ford years. According to the Advisory Commission on Intergovernmental Relations (ACIR), between January 1, 1975 and January 1, 1978, 50 new categorical programs were established by Congress, bringing the total number of such grants to 492.

Categorical grants are clearly the dominant federal assistance funding mechanism. Their popularity stems from several characteristics of this instrument. The "targeting" capability afforded by specifying in some detail eligible purposes, priorities and recipients permits the federal government to compensate for deficiencies in the fiscal capacity of regions, states and local governments when attempting to equalize resources and service levels. The heavily conditional nature of this instrument assures funding for the stimulation and support of programs designed to meet national goals—programs which might not be undertaken without a federal impetus. Compared to block grants or general revenue sharing, categoricals also permit a higher degree of recipient accountability to grantor agencies and Congressional committees for the uses of federal funds. Above all, categoricals are wholly in harmony with the heavily pluralistic nature of American politics. They reflect the impact of executive branch agencies, legislative committees and interest groups on the processes for formulating, implementing and changing public policies and programs.

The "Categorical Dilemma"

Although categoricals are a justifiable and necessary component of the federal aid system, they have often created administrative and fiscal headaches for grantor as well as grantee agencies. Categoricals also have generated tension between the executive and legislative branches of the federal government and in intergovernmental relationships.

In the view of some observers, the categorical grant instrument has been used excessively—and at times improperly—by Congress and recent national administrations. Recipient management and service delivery systems have been undermined frequently by overlapping programs and specificity of purposes. As examples of redundancy, there are seven different highway safety grants; six grants for forest-related programs; 23 for pollution control and abatement; 36 for social services; and 78 for elementary, secondary, and vocational education. Illustrative of the narrowness commonly found among categoricals are the highway beautification grant for the control of junkyards and the program for special projects for crippled children who are mentally retarded. These conditions have made it difficult for state and local officials to tailor programs to the particular needs of their jurisdictions.

While duplication and inflexibility are important considerations in assessing the categorical aid instrument, of equal if not greater concern are programs which seem to stretch the notion of national interest beyond reasonable bounds. Bills were introduced into the 93rd Congress to renew the funding for programs to control rats and jellyfish and to authorize a grant for the spaying of dogs and cats. These and other proposed measures underscore a concern that there have been too many recent cases of Congress playing, in effect, city council, county board of supervisors, or state legislature. While some of these programs may be necessary if only to stimulate subnational activity, many of them usually have been considered the responsibility of either states or localities, not of the federal government.

A related concern involves the more than 30 national policy requirements—in such areas as civil rights, wage rates, environmental impact and historic site preservation—that are commonly attached to federal grants-in-aid. Not only can their cumulative effect make the costs of compliance unnecessarily burdensome on recipients but also, when conveyed through an instrument that maximizes the authority of federal administrators, the possibilities of unwarranted policy intrusions are real.

Despite arguments in support of the categorical grant device, the evidence suggests the considerable growth in the number of programs in the same or related functional areas has caused costly administrative problems for both grantor agencies and recipient jurisdictions. Because each categorical grant contains its own set of planning, application, evaluation and audit requirements, as the number of state and local recipients grows, it becomes increasingly difficult to monitor the use of grant money and enforce provisions for matching and maintenance of effort. In this manner, a "categorical dilemma" has been created. As Congress resorts more frequently to highly specific grants in an effort to target federal dollars on particular problems and clientele groups as well as assure accountability, the tracking of funds becomes more complicated and less reliable. Thus, the oversight capability that specific categoricals may afford federal administrators and Congressional committees is often lost as the large number of programs, time limitations and other constraints permit only cursory review.

This premise is supported by the findings of a 1975 ACIR survey of federal grant administrators. A majority of the 250 individuals questioned expressed the feeling that inadequacies exist in the monitoring of recipients' conformance with plans, procedural requirements and performance standards.[1] Forty-nine percent of the respondents felt that moderate improvements could be made in the monitoring process, while 15 percent stated individual grant programs could be substantially improved in this regard.

Perhaps the most vocal critics of categorical aids are the state and local officials who must operate daily in what can be characterized as a grant-in-aid maze. Requirements that are intended to facilitate overseeing the use of federal funds frequently place severe constraints upon the staff, time and financial resources of recipients. These problems result in incomplete information, excessive red tape and paperwork and considerable confusion and frustration. Their ultimate impact is the reduction in service levels because large overhead costs and excessive amounts of staff time are absorbed by compliance activities. Furthermore, state and local governments are becoming more conscious of the administrative costs associated with federal aid and increasingly reluctant to participate in programs where they seriously constrict service delivery capacity.

The findings of a 1975 survey of city and county executives by ACIR and the International City Management Association reinforce these points. The complexity and volume of paperwork involved in the categorical grant process were the problems most frequently identified by 72 percent of the 459 city and 65 percent of the 104 county respondents. In their opinion, the circuits of the current intergovernmental aid system have been severely overloaded.[2]

The Consolidation Record

Consolidation was proposed as a method for reforming federal aid administration long before the grant system acquired its present size, shape and problems. Only recently, however, have the architects of federal assistance programs shown serious and sustained interest in this approach.

The basic rationale for consolidation has changed as the various grant-in-aid instruments have evolved. In 1949, the Hoover Commission concluded that in light of the "extensive fragmentation" of the grant system, broadly based categorical programs—such as in the highway, education, public assistance, and public health fields—should be established through the consolidation process. During the 1950's, proposed consolidations in the latter two areas, as well as in child health and welfare, vocational education, and vocational rehabilitation, were considered by Congress. Economy and efficiency were the primary justifications put forward by proponents of these mergers. While there was some recognition that a reduction in the number of functionally-related programs might streamline administration, reduce confusion and focus responsibility, the impact of these arguments was significantly reduced by the concerns of those opposed to consolidation. In particular, the objective of greater economy was considered to be undesirable by those who felt that decreases in the rate of growth or in the overall level of appropriations and cutbacks in allocations for certain clientele or jurisdictional interests would accompany whatever administrative cost savings resulted from consolidation.

These early proposals were aimed at what might be called "structural consolidation." Although, with the exception of vocational rehabilitation, all were unsuccessful, they indicate a desire in some quarters to confront a number of the organizational problems of what then was a relatively small federal aid system. Their poor enactment record underscores the ability of congressional-federal agency-interest group alliances to resist efforts to alter the program landscape.

The 1950's also provided two forerunners of what might be called "procedural consolidation." Instead of merging separate program authorizations, shifting the jurisdiction of federal administrative agencies and modifying eligibility, procedural consolidation involves the combining of planning, application, funding, reporting, administrative and other requirements across program lines—but without disturbing the basic program structure. Because they do not pose as much of a threat to agency, clientele groups and Congressional interests, these changes presumably have better prospects for adoption. In 1953 and 1955, for example, Congress approved consolidations of certain agricultural extension laws, which had the effect of simplifying administrative practices, unifying fund allotments and standardizing budgeting and accounting procedures.

During the 1960's, grant consolidation proposals were made in a wide range of domestic policy areas, including: libraries; higher education; early childhood development; water quality management and pollution control; water, sewer, and waste treatment facilities; and housing and urban development. None of these bills were enacted and only a handful were even considered by Congress. Among the factors responsible for this lack of interest and action were the following:

- the inability of consolidation supporters to make a convincing case that the benefits of economy and efficiency justified the risk of reduced overall appropriation levels or growth rates;
- the strong constituency orientation on the part of Congress and desire to make highly visible, specific responses to perceived national problems, even if this involves duplication on on-going activities;
- the feeling on the part of Congressional committees and individual Members that consolidation would signal a downplaying of the significance of particular national problems and a dilution of the effect of federal funds on their resolution;
- the opposition, or at best lukewarm support, of federal and state middle management administrators toward proposals to alter the program *status quo*;
- The strong resistance by program clientele groups and relative weakness of associations of elected state and local officials and other generalist interest spokespersons in overcoming this opposition; and
- the low salience of grant reform in general and consolidation in particular among the media and public.

During the past 12 years, some shift in these sentiments became apparent. In 1967, Congress merged a number of teacher training programs and combined separate grants for maternal and child health and crippled children services. The following year, it consolidated several vocational training programs. In each case, however, new categoricals were added during or shortly after enactment and some existing programs were not affected at all.

Beginning with the Partnership for Health Act of 1966, a strong thrust was given to consolidation. In addition to seeking to achieve economy and efficiency, consolidation was viewed as a means of decentralizing responsibility for decisions on the uses of federal funds particularly to elected state and local officials and administrative generalists. The Nixon Administration's "New Federalism" domestic agenda helped popularize the terms "block grant" and "special revenue sharing," which were used to characterize the federal aid instruments for streamlining program administration and shifting power within the intergovernmental system. In discussions of the President's 1971 and 1973 special revenue sharing proposals and in the consideration and enactment during 1973 and 1974 of block grants for manpower training, community development, and social services, some of the important distinctions between these approaches and consolidated categoricals were blurred.

A block grant has at least five features that differentiate it from other federal assistance instruments:[3]

- funds are authorized for a wide range of activities within a broadly defined functional area;
- recipients have substantial discretion in identifying problems and needs, and in designing programs and allocating resources to meet them;
- administrative, planning, application development, fiscal reporting, and other federal requirements are kept to the minimal amount necessary to ensure recipient compliance and accountability;
- federal aid is distributed on a formula basis; and
- general purpose governments and their elected chief executive and legislative officials are accorded preferential treatment as recipients.

When these traits are considered, clearly not all consolidations necessarily produce block grants. Instead, merger may result in only a relatively large, structurally simplified and procedurally steamlined categorical program. It may have no effect on recipient discretion, eligibility, or strings.

Returning to the Congressional scorecard, in the past 12 years approximately 60 health, employment, vocational and teacher training, community development, library, education and elderly programs have been consolidated into either larger categoricals or block grants. Whether or not this record signifies a fundamental shift in Congressional and executive agency attitudes and in the relative power position of special and public interest groups is unclear. On the one hand, these changes could signal an appreciation on the part of national policymakers and administrators of the confusion and costs stemming from unnecessary program overlap and of the need for greater recipient discretion in tailoring federal funds. On the other hand, the enactment of 50 new categoricals over the past three years underscores the continuing popularity of this approach and strength of those who support its use in particular functional fields. The structural as well as procedural recategorization of virtually all of the five existing block grants indicates the persistence of categorical pressures even in the wake of successful grant reform efforts.

Despite the rationale for supporting or resisting consolidation, it is clear that over a relatively short period of time a new tripartite federal assistance system composed of block grants, general revenue sharing, as well as categorical aids has been fashioned chiefly by Congress. This new structure has altered significantly intergovernmental roles and responsibilities and, in so doing, has disrupted the grant-in-aid *status quo*. The extent to which these changes represent a basic realignment of program politics in Washington as well as between the federal, state and local levels, or are merely short-term adjustments to national economic conditions, remains to be seen.

The 1978 Domenici-Bellmon Proposal

In this light, what impact can S. 1780, the proposed Optional Educational Simplification Act, have on grants-in-aid in this field? The problems associated with education program fragmentation and excessive administrative requirements have been well documented in Congressional testimony. Accordingly, the purposes of the act—to promote efficiency, reduce paperwork and time burdens, increase recipient flexibility and facilitate federal and intergovernmental program coordination—are difficult to oppose. Whether or not the approach taken in the bill can accomplish these objectives is another matter.

S. 1780 embodies a fairly unique type of grant consolidation. It provides for the establishment of neither a large educational categorical grant program nor a block grant. Instead, a form of "procedural consolidation" is superimposed over the existing program structure, with state participation made optional. By reorganizing programs serving particular target populations into one of three categories (e.g., disadvantaged, handicapped and bilingual programs) and consolidating their funding, the Domenici-Bellmon bill retains present federal priorities while permitting a streamlining of certain planning, application development and other requirements. Separate authorizations for these programs, however, are neither combined nor repealed. Presumably, this approach will make it possible to achieve certain administrative improvements without severely disrupting the congressional-federal agency-interest group alliances that have a major stake in the categorical *status quo*. As Senator Domenici noted in floor discussions of this bill: "It should be clear . . . that we do not offer a block grant in the customary usage of that term, but rather a carefully shaped consolidation of federal programs which will insure more flexibility at the state and local levels while protecting the purposes and populations originally identified by the Congress."[4]

In its present form, then, this proposal resembles what might be called "contract federalism." States may opt for either the consolidated or existing categorical relationships with the U.S. Office of Education. If they choose the former, they agree to a number of procedural modifications in the way programs and fund allocations are packaged. A comprehensive plan is the principal vehicle through which functional coordination is to be achieved. Few if any real changes, however, can be made in national priorities, target groups, distribution arrangements, and the like.

While the Domenici-Bellmon proposal is modest, at least compared to the educational program consolidations offered by Presidents Nixon and Ford, it may well be a realistic point of departure, especially when the following factors are taken into account:[5]

- federal educational grants account for only about seven percent of state and local outlays for these purposes;
- state educational agency administrators appear reluctant to support changes in federal program structure;
- influential interest groups have not strongly advocated the need for major categorical consolidations or block grant approach in the educational field; and
- there seems to be a congruence of views among federal, state, and local administrators on the objectives to be achieved in the educational field and on the effectiveness of the instruments currently in place to accomplish them.

In addition to those political facts of life, the differences among state political cultures need to be recognized in the design of grant-in-aid programs. The states and their local governments vary widely in educational needs, priorities, and resources. State and local educational agency relationships also range from nearly complete centralization at the state level to nearly full decentralization, with several mixed systems also in existence. This diversity would more than likely pose problems in consolidating program structure, especially if decentralization of resource allocation decisions would accompany merger. Hence, either making state participation optional or undertaking a limited demonstration program could well provide useful impact information.

Finally, it should be noted that the Domenici-Bellmon proposal could be regarded as a first step in the reform of education grant programs. This field and the cluster of categorical grants that occupy it could well be conducive to more ambitious consolidations. As noted above, the Nixon and Ford Administrations apparently believed that education was an area of federal assistance amenable to a block grant approach.

Whether this grant reform potential can or will be realized in the education area is as yet unclear. It is clear from the testimony presented on this issue, however, that there are concerns about excessive amounts of federal dollars being spent on program administration instead of on improving the quality of education.

Footnotes

[1] Advisory Commission on Intergovernmental Relations, *The Intergovernmental Grant System as Seen by Local, State, and Federal Officials*, Washington, D.C.: U.S. Government Printing Office, March 1977, pp. 177–236.

[2] *Ibid.*, pp. 3–81.

[3] Advisory Commission on Intergovernmental Relations, *Block Grants: A Comparative Analysis*, Washington, D.C.: U.S. Government Printing Office, October 1977, p. 6.

[4] *Congressional Record*, August 23, 1978, p. S14083.

[5] Mary E. Vogel, "Educational Grant Consolidation: Its Potential Fiscal and Distributive Impacts," RAND/WN-10059-HEW, December 1977; and Lorraine McDonnell and John Pincus, "Federal Aid to Education: An Intergovernmental Perspective," Rand/WN-9959-HEW, December 1977. See also Advisory Commission on Intergovernmental Relations, *The Intergovernmental Grant System as Seen by Local, State, and Federal Officials*, Washington, D.C.: U.S. Government Printing Office, March 1977, pp. 171–175.

V

The Elusive Experiment: A Critique of Grants Consolidation

Brenda J. Turnbull
Walter McCann

Frustration with the structure of federal aid to education appears to be growing. Faced with a multitude of special-purpose programs and associated administrative burdens, educators say that new and simpler approaches would help them do their jobs better. Before embracing consolidation proposals such as S.1780 as a means to this end, however, we believe several issues deserve closer inspection. Is the current program structure a hopeless jumble, or does it serve worthwhile purposes? To the extent that problems exist, would S. 1780 provide a good remedy? What new problems would enactment of this bill bring with it? In arguing the case against the bill, we emphasize the strengths of the existing aid system. While we do not wish to overlook its weaknesses, we suggest that incremental improvements within the current structure may offer more educational promise than would a sweeping administrative reorganization.

PURPOSES OF CATEGORICAL PROGRAMS IN EDUCATION

To assess the strengths and weaknesses of the current structure of categorical programs, one can begin with consideration of the purposes

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those programs are intended to serve. To do so dispels the view that the programs are simply some mindless accretion of federal requirements and exhortations; on the contrary, they were enacted for reasons—most of which, we will argue, still warrant a federal response. In fact, although the programs are numerous, they address a rather modest and coherent set of general aims,[1] which are:

1. to improve equality of educational opportunity;
2. to promote the inclusion of specific subjects in the curriculum;
3. to attempt to stimulate the improvement of practice;
4. to compensate local districts for reductions in their tax base.

In identifying federal purposes in education we do not, of course, mean to say that all have equal importance nor that everyone ought to share the same view of their relative priorities. These are matters on which reasonable people differ, and one should expect that a heterogeneous Congress—mirroring the nation that it represents—would reach different conclusions at different times. We do not necessarily share each congressional judgment as to the relative merits of a particular program. A specific quarrel over a program is not, however, an argument about whether categorical programs should exist. Rather, it is a political disagreement about resource allocation, which is a significantly different matter.

Why Should Categorical Programs Exist?

Corresponding to each of the purposes just outlined are political and educational reasons for the creation of categorical programs to meet stated and unstated goals. In this section we will analyze those reasons and argue that special-purpose money continues to serve the purposes for which it was appropriated. The argument has two parts. First, experience over the past two decades shows that Congress continues to perceive the need for new categorical programs; we will contend that this reflects a legitimate view of the federal role. Second, experience indicates that a categorical program like Title I of the Elementary and Secondary Education Act (ESEA) can make an educational difference to students.

Prior to more specific arguments for categorical funding, a basic and perhaps obvious point bears underlining. There is no doubt that Congress has the constitutional authority to authorize and appropriate funds for educational purposes. By this time in our history, few would argue that such spending is inappropriate. To the extent that it is appropriate, however, Congress must also bear the responsibility for making sure that the tax monies it levies are spent for the purposes appropriated and are used wisely, regardless of which level of government finally provides services to citizens. To state the argument thusly is simply to draw the obvious federal analogy to the general drive for accountability in all government programs, at all levels, and particularly in education. To the extent that grants consolidation or a block-grant program fails to draw specific enough standards for implementation or performance, then Congress and the federal executive stand subject to a legitimate taxpayer concern about faulty groundwork for reasonable accountability in the use of public funds. Congress, after all, has a basic responsibility to oversee how federal tax money is spent.

Equal-Opportunity Purposes

More specifically, programs that promote equal opportunity reflect the ability of relatively weak societal groups to organize for national-level attention. For complex reasons, these groups are often more successful in Washington than elsewhere. For example, since poverty became a prominent federal issue in the 1960s, groups representing the poor have been able to make their case with some success in Washington—much more so than in many states and localities, although they have made progress in some places. Congressional willingness to enact categorical programs means that special populations like the disadvantaged and racial minorities can be the beneficiaries of equal-opportunity programs in all states. If only on grounds of efficiency, antipoverty and civil-rights groups can accomplish the most at the federal level, where one concerted effort can result in a program for all fifty states. Without categorical legislation such programs would be enacted—or noncategorical funds earmarked—only in the states where these interest groups are particularly strong, which presumably are *not* the states where special educational programs are needed most. Nationwide programs also offer the advantage of uniformity, which is appropriate where Constitutional issues of equality of opportunity are involved. In other words, if special-purpose federal funding is to be used to promote the equality of opportunity guaranteed by the Constitution, such funding logically ought to be available in all states.

The strategy of providing special funds for educational services to special populations took statutory form in ESEA in 1965. Prior to that legislation, few states and localities were offering anything extra to groups like the poor or the handicapped. Indeed, the rationale for Title I of that act was that the other levels of government were providing children from poor families with services inferior to those received by affluent children. One might argue that categorical programs like Title I inappropriately assume that states and local school districts all are "worst case," that they behave so as to shortchange disadvantaged groups. In the years since 1965 the record of state and local treatments of the poor has improved; many states now have their own programs of compensatory education or special funding formulas to aid the disadvantaged.[2] However, auditing and monitoring still turn up examples of school districts that violate the Title I requirements in such ways as using the funds like general aid or using them to bring services for eligible children up to the level that other children receive (rather than to add something extra for the eligible children). In short, the worst case still exists, as do less flagrant but undesirable cases.

It seems, then, that the states and localities would be less aggressive in promoting equal educational opportunity for the disadvantaged if the present categorical mechanisms—special funding and federal regulations—were jettisoned. And surely state-to-state differences would be exacerbated. For those who endorse the goal of improving educational opportunities for traditionally underserved groups, this evidence is important. It suggest that creating and maintaining a federal categorical structure not only makes political sense for groups that do not have effective organizations in all states, but also makes a difference in educational resources.

Curricular Change

For the second federal purpose, that of supporting programs in particular subjects, the arguments for categorical funding are somewhat different. Ultimately they may boil down to the question of whether Congress can legitimately decide that students ought to have more opportunity to learn about a specific subject and, therefore, that funds ought to be available to encourage schools to teach it. Federal sponsorship of vocational education, for instance, originated with the rationale that preparing young people for employment was in the national interest and therefore warranted earmarked federal dollars. In recent years, it is true, the national-interest argument may be made in a rather perfunctory way by Congressional advocates of some particular addition to the curriculum. In each case, though, some rationale can be developed, even for programs which seem of lower priority than a drive to provide more equal educational opportunity. For example, education in the metric system of measurement serves to prepare a citizenry to cope with a system that the nation is almost certain to adopt. Since this is a national matter, provision of funds to assist localities everywhere may actually make considerable sense, regardless of its place on any individual's list of educational priorities. The latter is a separate matter.

While the rationale for any categorical program may be debatable, Congressional acceptance of the rationale may provide as good a proof as any of its legitimacy. The Advisory Commission on Intergovernmental Relations in

1967 cited the argument that "any objective is manifestly and significantly national in character which survives the arduous, lengthy 'testing process' that Congress provides with its polycentric power structure and limited majority norms."[3] This argument does not suggest that congressional choices are correct as judged by some other standard. It merely points out that Congress is, after all, a major lexicographer in defining the national interest and that the burden to prove its judgment incorrect requires more than a simple contrary assertion.

Improvement of Practice

Some categorical programs address the third purpose, that of helping to improve practice. Grants to districts may carry few federal strings, as in the grants for innovative projects under ESEA Title IV-C, or they may bring rather detailed specifications like those associated with planning and instructional strategies under the Right-to-Read program. In either case, though, federal dollars can be seen as introducing some helpful flexibility into local instructional programs. When the money is relatively unrestricted it can be a vehicle for local creativity. When the statute and regulations are detailed, the schools that seek funding are presumably willing to try something that differs from—and may improve on—their existing practice. Research does show that federal grants aimed at practice improvement actually have much more attenuated effects than their sponsors might have hoped; initial local plans are modified over the life of the grant in a process of "mutual adaptation" as innovative plans and existing practices adapt to one another.[4] This does not negate the value of federal grants for practice improvement, however. It indicates that these grants are quite flexible instruments in the hands of their local recipients—but the grants can still be a force for valuable diversity in practice. As special, marginal resources they do not usually just disappear into the schools.

Limited General Support

The fourth federal purpose, compensating districts for reductions in their tax bases, differs from the others in that the federal government does not specify how these funds should be spent. Impact Aid payments are calculated according to the numbers of various types of children in a district (those whose parents live on federal property, work on federal property, live in public housing, and so on). Once the funds are awarded though, they may be used to meet any operating expenses. The goal of this program is not to influence the schools' priorities or methods but simply to make up for any shortfalls in their revenues for which the federal government takes responsibility. The continued Congressional popularity of this program—in the face of annual efforts by various administrations to trim it back—suggests that this kind of relatively unrestricted general aid will not be entirely displaced by federal categorical spending. Indeed, if taxpayers' revolts create great financial pressures on the states and localities, the federal government might assume a larger role in school finance in order to ease these pressures and promote fiscal equity. For now, however, Impact Aid remains an anomaly in the structure of federal aid to education.

Program Effectiveness

In reviewing the reasons for enacting and maintaining categorical programs, we have concentrated on the logic that links these programs to federal purposes. But do the programs work? On this key question, the evidence is unfortunately scanty, since most of the categorical programs are of quite recent vintage and since educational evaluation produces neither quick nor unambiguous verdicts on program success. However, a fair amount of useful data has now been amassed on ESEA Title I, a large program that has had a chance to mature over its 13-year existence. The data support the conclusion that this program has become increasingly effective and they are worth reviewing here.

One important aspect of Title I is that it serves children in low-income areas whose educational achievement lags behind that of their peers. This is a statutory intention of the program, and research shows that it is being carried out.[5] Information about the children who are served is important for two reasons: first, it shows that the apparatus of a categorical program can successfully direct funds and services according to the provisions of law; second, it indicates that Title I serves children who do not ordinarily make the same achievement gains as "average" children. Various studies show that disadvantaged students can be expected to fall farther and farther behind more affluent and higher-achieving students if no special services are provided.[6] With this expectation in mind, the significance of recent evaluation findings becomes clear. One study of compensatory reading programs concluded that the test scores of compensatory students in grades two, four, and six tend to catch up with those of other students between fall and spring.[7] Another study, which calculated students' average monthly gains over the school year from 283 state reports between 1969 and 1974, found about 1.1 month's gain for each month in a Title I program.[8] Even more impressive are the findings of an NIE study of four hundred Title I classrooms including a range of income levels, ethnic compositions, and geographic locations:

> "First graders made an average gain of 12 months in reading and 11 months in mathematics during the 7-month period between fall and

> spring testing and improved their percentile ranks in the two subjects by 12 and 15 points, respectively. . . . . Third graders gained 8 months in reading and 12 in mathematics. Their percentile gains in the two subjects were 7 and 15 points, respectively."[9]

The classrooms yielding these excellent results had a key distinguishing characteristic—their Title I programs were judged to be especially well implemented and stable. This fact makes their success unrepresentative of the universe of Title I outcomes, but it suggests a way of looking at the program's history and current effectiveness. The early years of Title I produced discouraging evaluation results, with national studies indicating that Title I programs, on the average, were associated with no more or less achievement gain than conventional classroom instruction. Flaws in study design clouded the validity of these results, but, in retrospect, it is quite plausible that local programs in the early stages of implementation had weak positive effects at best. Now that Title I has settled more firmly into schools, more encouraging findings are emerging.

In addition, research now points to the conclusion that programs can have good results once they have had some time to stabilize in their local settings.[10] Sound implementation, it seems, has a more powerful influence on effectiveness than do the characteristics of educational method used; in other words, a wide range of the instructional techniques that educators now use can work if given a reasonable chance.

Experience with Title I, then, supports the belief that categorical programs can work if they are given a chance. Moreover, research on Title I and other programs suggests that stability is valuable and that the early stages of any new program structure will not work out very well. Research and experience suggest programs need time to take hold, that they should not be scrapped prematurely, and that disruptions in the structure of outside support may very well produce confusion that will temporarily set back progress in learning. This places a burden of proof on those who advocate massive consolidation: can they make the case that a new program structure will eventually pay off so greatly that the initial confusion is worth enduring? Arguments that focus on the administrative inconvenience produced by federal mandates seem to pale considerably in the light of this educational issue.

PROBLEMS WITH CATEGORICAL PROGRAMS

While categorical programs can serve important federal purposes, and can be effective, they are certainly not without problems. However, we will argue that some of the problems are necessary inconveniences and that many of them could be addressed by steps less drastic than abandoning the categorical program structure.[11] Our position is essentially that all government programs create problems as well as benefits. Categorical programs will have certain kinds of problems attached to them, as will block grants or consolidation proposals. The careful analyst or legislator must weigh the tradeoff between benefits and problems in light of his or her sense of educational priorities. Thus, for example, a rigid categorical program that addressed a matter of low priority would be viewed rather differently than would a broader categorical program that focused on an essential national need. Our argument, therefore, does not suggest that any program must be adopted simply because it is categorical. Rather, we argue that a categorical program is often the most appropriate vehicle for a federal expression of national purpose and the creation of accountability at the level of implementation. Thus, we believe that attention to difficulties associated with the categorical programs is an essential part of the discussion of S. 1780, and that some improvement of existing modes of operation would strengthen the argument against a consolidation proposal.

Improper Influence?

One concern with categorical programs essentially boils down to a philosophical disagreement with the idea of federal influence in education. To some, categorical programs are an illegitimate intrusion into state and local prerogatives to set educational priorities. There are complaints, for example, that federal grants support local projects for a few years and then expire, leaving the projects to make a claim on state and local budgets for their continued funding. By accepting funds in the first place, the recipients may unwittingly weaken their autonomy in future spending. What this complaint indicates, though, is that categorical programs do what they are intended to do: they arrange incentives so that other levels of government will be more likely to adopt federal purposes and priorities. There is nothing coercive about this procedure; seductive, perhaps, but coercive, no. Of course, in times of tight budgets states and districts are hard put to refuse federal dollars. The appropriate alternative, however, is perhaps no federal support, rather than federal support that substantially reduces the prospects for accountability. We think that the federal government can reasonably choose to provide incentives to achieve its purposes; those who disagree, however, will object to categorical programs.

Inflexibility?

A related problem is the purported inflexibility of categorical programs. Once set in motion, programs seldom die but continue to spend money year after year in an unremitting assault on educational problems that may have been solved or become of lower priority. The routine reauthorization of special-purpose programs can be distressing to those who would like to tidy up the statute books. The growing list of programs probably does create needless confusion at the state and local levels. Still, to argue that categorical programs are too hard to kill is to assume that someone other than Congress knows which programs ought to be killed. As long as a program can gain continued authorization and appropriations and is not unconstitutional, we are hard-pressed to see who should have the authority to stop it, or why a fiscal mechanism should be developed to shift such hard decisions to the states. How much evidence is there that states or localities have a stronger record in the elimination of outmoded programs than the federal government? The evidence for such an assertion would be hard to come by, yet it lies somewhere near the center of the argument.

Paperwork?

If one accepts the premise that categorical programs can exist, other problems remain, and the most prominent among them is probably the complaint of paperwork and red tape. Pointing to stacks of required applications and reports, people urge simplification.[12] Indeed, complaining about regulations and other administrative burdens from Washington has become a popular national pastime. But are most of the administrative requirements really mindless or unnecessary? And even if they were, would program consolidation remedy the problem? No one is in favor of unnecessary paperwork, but planning and reporting requirements can serve two very necessary purposes: accountability and program quality. When public money is spent there must be some procedure for public accountability, and written plans are indispensable for the auditing and monitoring that can detect abuse of the funds. Paperwork can also serve the cause of program quality when it forces people to think and plan more deliberately. In any case, the existence of categorical programs is far from the only cause of paperwork, since even block grants carry with them a multitude of administrative rules on equal employment opportunity, wage rates, and the like; program consolidation would leave these sources of paperwork burden undisturbed.

Moreover, implicit in this argument is an assumption that state and local governments generate little paperwork. If these governments were devoid of paper, they would be devoid of records. When states and localities seek to implement educational or other governmental purposes, they seem fully able to develop the paper records which accountability demands. True, addition of federal legislation, based on the national power to tax, may well create another layer of bureaucratic effort. This effort, however, ultimately stems

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from a tax system in which the federal levy is more equitable and more responsive to economic growth. As long as the power of the federal purse is marshalled to meet pressing needs, there will be some costs. Among them will be the administrative burdens of paperwork.

Ineffective Controls?

Another problem with categorical programs is that administrative controls may be ineffective. For example, in spite of federal regulations designed to prevent it, states and districts may substitute federal dollars for dollars that they would otherwise have spent themselves. As a result, the grant stimulates no extra spending or services. If this happens, federal funds might just as well be awarded for general aid or tax relief without the nuisance of ineffectual paperwork. However, unless one disagrees with the purposes for which categorical programs are invented the problem of ineffective controls does not imply that the programs should be scrapped. As Vogel explains, "if states and school districts do not comply under the present categorical grant system, it can obviously be argued that they will not voluntarily advance the federal goals. This line of argument thereby leads to a case for more stringent controls under a categorical system."[13] Vogel's arguements suggest that proposals like S. 1780 are on exactly the wrong track.

The most serious problem of categorical programs may be that they promote fragmentation of administration and instruction. With each of many programs administered separately, officials at both state and local levels find it easiest to pay attention to just one program at a time, responding to its internal requirements rather than integrating it into a larger educational strategy. Local programs may thus turn into separate fiefdoms, isolated from an overall instructional program; a school with several different grants can have difficulty maintaining coherence in its work. This problem can be exacerbated by the sometimes conflicting mandates in different federal programs: for example, the requirement that Title I funds be kept separate and used to serve only eligible children encourages a "pullout" strategy which removes children from their regular classrooms and offers them special instruction in a separate setting; at the same time, the handicapped are supposed to be educated in the "least restrictive environment", which means the regular classroom wherever possible. Implicitly, the federal government is endorsing two opposite strategies for groups with special educational needs. Such conflicting mandates can and do create tension at the local level. But such tensions are inherent in education and not simply a result of intergovernmental differences. They arise even when only local monies are involved and will not disappear if federal requirements become attenuated.

Although the profusion of categorical programs does seem to create problems of fragmentation, we are not convinced that consolidation offers the best remedy—nor the least detriment. Working within the present categorical structure, steps could be taken to encourage or require coordination among federal programs and between these programs and regular instruction. The other problems with categorical programs, we have suggested, make an even weaker case for consolidation.

THE CASE AGAINST S. 1780

In criticizing the consolidation that S. 1780 proposes, we have pointed to the weaknesses of consolidation as a strategy for the improvement of federal aid to education, but we also emphasize specific weaknesses of that bill.

One weakness of S. 1780 is that it would not fulfill its own stated purposes.[14] Although it purports to enhance efficiency, it goes only a short distance toward reorganizing or consolidating federal programs. It does take steps in that direction, such as merging separate authorities that support the education of the handicapped. However, the bill retains current large programs as separate entities with their own funding allocations. That it does so demonstrates at least that strong political forces oppose a true consolidation of educational programs.

Another purpose stated in this bill is the reduction of paperwork and other administrative burdens. Its contribution in this regard is largely hortatory: for example, it directs the commissioner to "establish procedures to eliminate all unnecessary paperwork in regard to information required of State and local educational agencies" (Sec. 1248(b)). In practice, would federal program officials and lawyers be likely to decide that the bulk of currently mandated paperwork is "unnecessary"? Similarly, although the states are told to avoid imposing "additional" paperwork, the implicit standard of comparison might well be the current amount; that is, the current paperwork burden would remain in place. Major administrative simplification seems especially unlikely when S. 1780 preserves some of the statutory language that generates detailed regulations; for example, it requires procedural safeguards for the rights of handicapped children.

The goal of program coordination also gets short shrift in the bill's provisions. Ideally, the comprehensive plans developed by states and school districts would meld federal categorical programs, state categorical programs, and regular instruction into a coherent and unified educational strategy. However, the bill contains no specific incentives or mechanisms to make this happen. One simple way to comply with the bill's requirements would be to take the applications now required by the separate programs and staple them together. In the absence of new requirements or incentives for more thoughtful planning, states and districts might understandably choose this simple expedient.

Where it does reduce complexity, the bill does so at the expense of assurances that federal aims will be met, and a major difficulty with S. 1780 is that it may eliminate prospects for federal accountability in precisely the areas where it is most needed. Examples can be drawn from the current requirements intended to insure that Title I funds actually benefit the children for whom they are primarily intended. Under S. 1780 funds for the disadvantaged could be spread across all attendance areas in a district rather than just going to those with the highest poverty, as at present. Also, parent-involvement requirements would be diluted. By eliminating or substantially modifying current requirements the bill would leave congressional appropriators with little or no assurance that funds would be used as intended.

In several respects, then, the bill would fail to deliver on its promises. It also has other weaknesses—reflecting, in part, the difficulty of effecting bold reform when the *status quo* has political and substantive merit. This difficulty is notably illustrated by the bill's approach to the issue of allocating funds, an approach that distinguishes it from other consolidation proposals.[15] By dividing the funds for its sections and subparts at the federal level, S. 1780, unlike some other consolidation schemes, defuses competition among interest groups at the state and local levels. Keeping political disputes at the federal level may well be advantageous. If a group faces severe educational problems in one state or locality there is no reason to think it would have the political strength at that level to direct attention and funds to those problems—in fact, quite the opposite seems more likely. Thus, there seems to be good reason to maintain federal categories.

Nevertheless, in keeping allocation decisions so close to the *status quo* the bill misses its chance to reform some features of the categorical structure. One is the current procedure for setting budget priorities among programs, in which the changes in appropriations levels are almost always incremental. With its initial hold-harmless provisions, S. 1780 acknowledges that the current distribution of funds is an acceptable starting point, and it offers no particular likelihood that priorities will be reconsidered in any fundamental way in the future. Whether or not one agrees with the current allocation of funds among programs, the fact that the appropriations process would not gain more flexibility under this reform proposal seems both inconsistent with the bill's direction and a testament to the political efficacy of the coalitions behind programs.

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Furthermore, by specifying how dollars are to be allocated among programs at the district level, the bill would perpetuate many of the current problems associated with fiscal controls on programs. Special instruction for disadvantaged children, for example, would presumably tend to remain separate from regular classroom instruction so that auditors can fairly easily determine that federal dollars have been spent only on their intended beneficiaries.

To be sure, the bill does not specify what regulatory strategies would be most appropriate, and it may leave room for innovative approaches to federal and state monitoring. What the bill implicitly does is to ask each state to invent a regulatory structure for overseeing local compliance. This would be a sizeable burden for the states, and since the bill offers little guidance they might very well reinvent something much like the current program regulations. Indeed, they might create more restrictive program requirements than those that now exist. Federal officials often try to avoid highly detailed regulations, for they are unfamiliar with the varied circumstances that could make some provision inappropriate in some states and districts. At the state level, officials might act with less restraint and thus hamper local initiative more than current regulations do.

These comments anticipate what we see as an intriguing feature of S. 1780 and our disappointment with its failure to capitalize upon the potential. S. 1780 would create an experiment which would permit a small number of states to test its provisions. This approach strikes us as a sound idea generally, but this particular bill has weaknesses as the basis for an experiment.

There are some potentially serious administrative issues which will face this or similar experiments. The approach taken in S. 1780 appears to do little to ensure that the experiment would be conducted under optimum conditions. The bill, for example, would mandate a separate administrative unit for the six participating states. Such an arrangement could provide autonomy and a clear identity, which could enhance accountability. On the other hand, it would also cause duplication of effort and increased costs. This is likely true of any experiment and is a consequence of the irony that any governmental initiative tends to require more support, even when the ultimate purpose is to loosen governmental control. Unless such costs are recognized at the outset, an experiment which claims to reduce administrative complexity might unfairly be judged a failure. In addition, the proposed structure would launch a new unit, small and tenuous, on the task of inventing a new federal-state relationship under circumstances in which that unit could be seen as a potential threat to existing bureaus. Although this role might be appropriate, more adverse administrative circumstances are seldom encountered. Thus, we have doubts not only about the wisdom of the particular administrative arrangement proposed in the bill, but about the wisdom of congressional stipulation of any administrative configuration for such an experiment.

Have the authors of S. 1780 fallen prey to precisely an evil of which they complain? By stipulating administrative arrangements, the bill recapitulates the kind of controls, albeit at the federal level, about which state administrators might legitimately complain if they were imposed upon them by federal legislation. We think, therefore, that the wiser course would be to leave the Office of Education the flexibility to administer this, or another, experiment in the manner which it judges most likely to yield a successful trial.

The proposed experiment seems likely to fall short in reducing federal control over federal aid to education. It would probably preserve the fiscal controls now used in tracking dollars to their beneficiaries. Further, the bill seems to leave a large loophole for the federal activism that its sponsors oppose, in that federal monitoring and the required reports from states are to address the states' compliance with the provisions of the statute. Since the statute adopts many general statements of purpose and specific designations of target groups from existing laws, understandably zealous federal officials could make the case that they should keep most of the current reporting and monitoring procedures intact. This might be desirable, but would not meet the goals of an experiment.

ALTERNATIVE EXPERIMENTS

A general problem of S. 1780, in short, is that it criticizes the current operation of categorical programs—but, by failing to propose different specific principles for managing federal aid, it invites federal and state governments to reinvent something much like the existing administrative provisions. Somewhat briefly and speculatively, we would like to suggest a few directions that might be pursued as clearer experimental alternatives to existing arrangements.

If state-level administrative arrangements now impede the coordination of categorical programs, these arrangements could themselves be the target of an experiment. A few states might choose to combine the administrative funds set aside for their use under various federal categorical programs. With these combined funds, a state could support a staff that would assist local districts in coordinating programs. The state-level staff would still include specialists in areas such as the education of the disadvantaged, but these officials would no longer respond chiefly to the federal government; they would have to work along with other specialists for goals set within the state.

Comprehensive planning is a worthy aim that requires considerable effort if it is to succeed. Those who want to reform categorical programs could perform a service by developing specific procedures for comprehensive planning and incentives to make it effective. One worthwhile strategy might be to combine planning with a structure promoting accountability—that is, to involve parents and other citizens directly in planning with genuine authority. Such a structure could go beyond the current mandates for parent advisory councils now contained in several federal programs: the modified councils might concern themselves with more than one program at a time, and they might have the power to veto plans rather than simply giving advice. Organizing such councils at the school building level seems promising in view of research that points to the value of a coherent building-wide instructional program for the improvement of achievement.[16] A different but related approach to planning would be to involve *individual* parents more closely in decisions about their children. The parents of handicapped children now must agree to their children's individualized education programs (IEPs)—a new device that probably needs further refinement, especially since it can create vast amounts of paperwork. Careful study of the evaluations of such efforts under existing law might suggest ways to mount an experiment with broadened use of IEPs although great care must be taken not to create simply more stacks of unread paper.

Ideas to maintain accountability while easing the categorical restrictions could be explored. With some provisions for accountability, states and districts might be allowed to commingle their funds from different sources—federal and state categorical programs and the regular instructional budget. This could happen, for example, under "resource standards." Children with special needs would be assured of some level of extra educational resources, measured in dollars (a multiple of the average per-pupil expenditure would be devoted to a low-achieving child in a poor neighborhood). These dollars could be drawn from any source, with no special tracking of federal or state funds required. Alternatively, "service standards" could be drawn up, including such requirements as a low pupil-staff ratio for children with special needs, or extra time on reading tasks for children with reading problems.

If carried to extremes, these alternative requirements could be onerous. But in principle they seem worth exploring as ways to allow more administrative flexibility. They might provide needed accountability while permitting educators to combine resources according to the needs of children rather than the sometimes artificial dictates of federal financing patterns.

CONCLUSIONS

Our analysis of S. 1780 can be summarized as follows. First, the federal government addresses several legitimate purposes with its educational programs; these purposes include equality of educational opportunity, enhancement of the curriculum, and improvement of practice. Categorical programs, we believe, are useful (though imperfect) devices for promoting these purposes. They seem to us to be legitimate forms of federal activity; moreover, they can produce educational benefits. Since stability in programs and administrative arrangements seem to contribute to educational success, we think that those who would dismantle the current system bear a burden of proof to show how their ideas would markedly improve on the *status quo*.

Turning to the potential advantages of S. 1780, we argue that this bill falls short of the merit one should demand of a proposed improvement. It would remove statutory provisions that now help focus programs on their aims (such as assisting educationally disadvantaged children in low-income areas). What it would substitute for such provisions is not entirely clear, and its vagueness on key issues such as comprehensive planning leaves no sure promise that matters would improve under this proposed structure. Thus, we believe that a wiser course might be to try specific mechanisms for program coordination and innovative approaches to accountability within a categorical framework. More modest experimentation might eventually point the way to relieving objectionable administrative burdens while safeguarding the federal purposes for which categorical programs are enacted.

The major merit in S. 1780 is its recognition that the current system is imperfect and that experimentation could lead to improvement. We suggest that educational reformers might well adopt this view while, at the same time, developing more promising proposals for change than the proposals of S. 1780.

Footnotes

[1] This classification of purposes is adapted from Mary E. Vogel, "Education Grant Consolidation: Its Potential Fiscal and Distributive Impacts," Rand Corporation, Santa Monica, Calif., WN-10059-HEW, December 1977. Vogel in turn gives credit to Michael Timpane, "Federal Aid to Education: Prologue and Prospects," Rand Corporation, Santa Monica, Calif., WN-9741-HEW, March 1977, and to Richard Brandon, "Towards a Framework for Restructuring Federal Education Programs," unpublished paper prepared for the U.S. Senate Budget Committee, March 1976. For purposes of this paper, we are not including research grants to universities through

the myriad of federal agencies in our definition of federal programs. Rather, we are focusing on aid to institutions and students in elementary/secondary education. We recognize that there may be rather different considerations at the school and post-secondary levels because of the different proportions of the aid which go to political and educational institutions, on the one hand, and students, on the other, at those respective educational levels. Moreover, the government structures are different at the two levels and thus require somewhat different responses from the federal government.

[2] See Esther O. Tron, *Public School Finance Programs*, Washington, D.C.: GPO, 1976, pp. 16–17.

[3] Advisory Commission on Intergovernmental Relations, *Fiscal Balance in the American Federal System*, Washington, D.C.: GPO, 1967, A–31, vol. 1, p. 149.

[4] Paul Berman and Milbrey Wallin McLaughlin, *Federal Programs Supporting Educational Change*, Santa Monica, Calif.: Rand Corporation, 1975.

[5] See U.S. Office of Education, "Executive Summary: A Study of Compensatory Reading Programs," Washington, D.C., September 1976; and Vincent Breglio, Ronald Hinckley, and Richard Beal, "Students' Economic and Educational Status for Compensatory Education," Santa Ana, California, Decima Research, 1977. The stated rationale behind a federal program, of course, is often complicated. Moreover, the complications in what Congress says about its intentions are exacerbated by purposes that appear only in reports or congressional debate, or perhaps exist only in the minds of sponsors and never appear in print. Title I may be a good example, for some would argue that its stated purposes actually mask a more general intention to provide less earmarked aid than the legislation now suggests. In any event, a clear and unconflicted delineation of the federal purpose of educational legislation, like an equally simple general definition of the purpose of education, usually escapes the eye of all but the truest believer.

[6] Early evidence appeared in James S. Coleman et al., *Equality of Educational Opportunity* Washington, D.C.: GPO, 1966. For a summary of evidence, see Thomas C. Thomas and Sol H. Pelavin, *Patterns of ESEA Title I Reading Achievment*, Menlo Park, California: SRI International, 1976.

[7] U.S. Office of Education, *op. cit.*

[8] Thomas and Pelavin, *op. cit.*

[9] National Institute of Education, *The Effects of Services on Student Development*, Washington, D.C., September 1977, p. 19.

[10] See Berman and McLaughlin, *op. cit.*; and L. B. Stebbins et al., *Education as Experimentation: A Planned Variation Model, Vol. IV–A, An Evaluation of Follow Through*, Cambridge, Mass.: Abt Associates, Inc., 1977.

[11] Several of these arguments borrow from the work of Vogel, *op. cit.*

[12] See, for example, *Federalism at the Crossroads: Improving Educational Policymaking* Washington, D.C.: Institute for Educational Leadership, 1976; and Advisory Commission on Intergovernmental Relations, *The Intergovernmental Grant System as Seen by Local, State, and Federal Officials* Washington, D.C.: GPO, March 1977.

[13] Vogel, *op. cit.*, p. 10.

[14] These purposes were obtained from the version of the bill printed in the *Congressional Record*, 23 August 1978, p. S14076. Shifts in the provisions of the bill make textual criticism difficult, and we have chosen to work from this version for the sake of consistency.

[15] More drastic consolidations were proposed by the Nixon administration with its Better Schools Act of 1971, revised in 1973 and again in 1974, and by the Ford administration in the 1977 budget message.

[16] See U.S. Office of Education, *op. cit.;* Berman and McLaughlin, *op. cit.;* Harvey A. Averch et al., *How Effective Is Schooling? A Critical Review and Synthesis of Research Findings* Englewood Cliffs, N.J.: Educational Technology Publications, 1974; and J. B. Wellisch et al., "An Indepth Study of Emergency School Aid Act (ESAA) Schools: 1975–76," Santa Monica, Calif.: System Development Corporation, July 1977.

VI

Federal Education Grants Consolidation: Issues and Concerns

James G. Ward
Nancy M. Gaeta

A significant and potentially far reaching public policy question under debate in education and governmental circles is whether to consolidate federal categorical grants for education into a series of broad purpose block grants. A major impetus for consolidation of federal education grants is to remove what is seen as excessive administrative regulation and paper work associated with current programs.

Federal education program consolidation could have as profound an impact on the nature of the federal-state-local relationships and on the federal role in education as did revenue sharing through the "State and Local Fiscal Assistance Act of 1972." The basic issue is *whether or not education program consolidation will help federal education policy achieve its goals and objectives more effectively, efficiently, and equitably.* It is this fundamental question which should be paramount in the minds and the deliberations of those concerned with the efficiency of education grant consolidation.

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THE FEDERAL ROLE IN EDUCATION

From the late 18th century through the present, federal involvement in education has followed a common thread. Federal education legislation and federal funds have been in the form of programs with a clear, fairly narrow purpose designed to achieve specific objectives related to national interest. Federal funds have supplemented local and state efforts to solve problems or bring about changes of a national scope in public education.

Broadly defined, present federal goals in education are:

1. to provide equal educational opportunity for all students;
2. to encourage and guarantee specific education services deemed to be in the national interests for targeted groups;
3. to stimulate and support educational research and inquiry, with subsequent dissemination, for the ultimate purpose of improving educational practice;
4. to compensate for resource capacity inequities caused by specific federal actions, e.g., the reduction of the local tax base by locating a federal facility in that jurisdiction.

These goals reiterate the basic state responsibility for education and define a rather narrow, but critical, federal role in education.

Achieving Federal Purposes

The federal education programs designed to meet these goals are characterized by very specific rules and regulations that attempt to ensure that federal objectives will be accomplished, leaving little discretion to states. The federal government has consciously delineated between the state's responsibility for general education and the federal government's role in encouraging supplementary educational activities which are in the national interest. Given this highly specific and fairly clear federal role, the idea of education grants consolidation must be tested in light of best achieving federal goals and objectives.

Writing at the turn of this century, Frank Goodnow, an administrative theorist, commented:

> "There are, in all governmental systems, two primary or ultimate functions of government, viz, the expression of the will of the state and the execution of that will. There are also in all states separate organs, each of which is mainly busied with discharge of one of these functions. These functions are, respectively, Politics and Administration."[1]

Four decades after Goodnow expressed this distinction, another governmental observer wrote:

> "Administrative responsibility is not less important to democratic government than administrative efficiency; it is even a contribution to efficiency in the long run."[2]

Rules, regulations, reporting procedures, and compliance mechanisms are created to ensure administrative responsibility. While over-regulation, excessive paperwork, overly detailed reporting, and inflexible requirements are onerous to all, the answer is not the curtailment of these activities. On face value streamlining fragmented federal assistance programs is a noble goal. However, such an approach can distort the federal role in education.

Simply stated, if federal education goals are to be achieved, federal program goals must be specific, well defined, with adequate control mechanisms to guarantee that funds will be used for intended purposes. What appear to be short-term inefficiencies in federal programs, like complex reporting requirements, may well be the elements of administrative responsibility which contribute to overall efficiency.

Grants consolidation raises serious questions as to what extent federal goals would be likely to be achieved through the decentralization involved. Rather than supplement state and local education efforts to achieve national goals, consolidated grants are likely to increase funds for state and local purposes. Rather than being an instrument of national policy, federal education funds would be another form of general revenue sharing used to ameliorate state and local tax burdens. Support for the disadvantaged, handicapped and others with special educational needs would likely diminish. Given the discretionary authority, state and local education agencies are likely to use federal funds for general state and local educational purposes. While such purposes may be worthy, they do not necessarily meet federal program priorities of serving the needs of special populations or ensuring equal educational opportunity.

The central issue in the grants consolidation discussion must be the extent to which the proposals enhance or impede the implementation of the will of the people as expressed by the laws of Congress. This paper will discuss this central issue from a fiscal, administrative and political perspective.

FISCAL ISSUES IN GRANTS CONSOLIDATION

The impact of consolidated grants design, as opposed to the traditional categorical grants design for the financing of educational programs, may be viewed in three ways:

1. which approach is more likely to stimulate additional state and local spending?
2. how will each approach affect state equalization goals? and
3. how accountable will state and local governments be to the federally-mandated goal of equal access to educational opportunity?

Without empirical evidence, it is difficult to make comparisons between a consolidation approach such as the Domenici-Bellmon proposal and current federal aid structure. Given recent trends toward statewide equalization of school finance, however, and the intent of the recently enacted Education Amendments of 1978, there are a number of foreseeable outcomes.

Stimulate Or Supplant

The issue of the stimulative function of federal education grants has been discussed rather extensively by Barro[3] and Vogel.[4] Both make the case that federal earmarking of funds makes a difference. As Barro points out, ten years ago states made no special effort to provide additional revenues for educational programs for the disadvantaged. In 1975–76, over $250 million was expended by states to provide compensatory education similar in purpose and scope to federal programs. Likewise, states have followed the federal lead in expanding programs for handicapped and non-English speaking children.

Vogel argues that by shifting discretionary authority for fund allocation to states, the fiscal impact of federal grants would be reduced, since federal aid would tend to be packaged as state aid. Considering the traditional role of state aid, i.e. providing for basic or "minimum" education programs, it is not unreasonable to suggest that federal funds would become substitutive rather than stimulative. It would be naive to think that under the present categorical approach some federal revenue is not a substitution for state aid. However, traditional controls placed on categorical grants have influenced the degree to which substitution occurs. For example, in mandating most federal programs, Congress has incorporated concepts such as "supplement, not supplant," "comparability," and "maintenance of effort" into its enabling legislation to ensure that federal funds are additive and not substitutive.

There is general agreement, however, that the federal government has been unable to successfully implement these standards through regulations. Nonetheless, removal of such fiscal controls as proposed in some forms of grants consolidation would encourage substitution. Moreover, one could argue that substitution effects would move states further away from the federal goal of providing equal access for all types of "national priority" groups.

Grants Consolidation and State Equalization

Another fiscal consideration is the impact that a change in grants-in-aid design would have on state equalization patterns or intrastate distributions. If federal aid were allowed to be combined with state aid, it is likely that federal funds would be allocated through the state system of finance equalization aid.

Traditionally, federal aid and state equalization aid serve two distinct purposes. The role of state equalization has been to assure that the amount of revenue available for a child's education is not a function of the wealth of the district in which the child lives. This doctrine of "fiscal neutrality" is both conceptually and operationally different from the federal role in financing education. By legislative mandate, federal aid indirectly supports the contention that different children have different types of educational needs and, therefore, require additional expenditures to meet those needs. In essence, the state is constitutionally bound to provide a basic program, while the federal government provides incentives for states to further compensate school districts for the extra costs associated with "national priority" students.

It can be said, then, that federal aid "equalizes" educational services and the cost of delivering those services and does not attempt to equalize per-pupil expenditures. For example, ESEA Title I programs provide additional funds to urban school districts where costs and heavy concentrations of disadvantaged students tend to be high. For these urban school districts to retain their Title I money, the state must first comply with its own constitutional mandate of providing a system of education, and then comply with federal fiscal standards of "supplement, not supplant," "comparability" and "maintenance of effort."

If states were permitted the discretion of allocating federal money under a consolidation approach, the federal "equalization of pupil services" goal would be lost. States would conceivably begin to use federal aid to achieve state equalization goals instead of supplementing and providing enriched educational programs for disadvantaged groups. Moreover, one could argue that the amount of revenue states would provide as equalization aid to school districts would be curtailed or slowed down, being virtually replaced by federal aid.

Fiscal Accountability or Grant Efficiency?

Senators Domenici and Bellmon, in designing their consolidation proposal, suggested that funding "by percentages" requirements under existing legislation inevitably results in excessive appropriations. Existing provisions make the exercise of Congressional discretion virtually impossible, inevitably resulting in excessive appropriation. What is being suggested is that Congress has lost control of the budget.

While a desire for greater accountability is to be commended, any proposal to do so must clearly demonstrate how federal goals could be achieved with at least equal efficiency as is presently done through a less costly manner. One cannot help but speculate that one purpose of grant consolidation is to reduce the federal fiscal commitment to education. To do less may save money, but may well hinder the meeting of goals, detracting from federal accountability, rather than increasing it.

The federal government is clearly the junior partner in education, providing only 10 percent of the total revenue available for education. By redirecting discretionary authority and removing fiscal controls, the impact of federal education dollars could become even less significant. In essence, fiscal accountability is lost in favor of some ephemeral notion of "grants efficiency."

Since the vast majority of federal funds for elementary and secondary education service targeted groups, programs are based on numbers of students within a given need category, some estimate of a state's fiscal health, and the cost associated with providing services. These formula components serve as a barometer which measures the extent of need, the ability of states to finance education, and the actual costs of providing services. Without such mechanisms, fiscal accountability at the federal level could be seriously impeded.

At the state level, the issue of fiscal accountability is centered around the congruence or incongruence between state spending priorities and federal equal educational opportunity goals. Simply stated, if state and local education goals are similar to federal priorities, then it can be assumed that federal aid will reach its intended recipients. The reverse is also true. Considering the number of fiscal priorities to which states must address themselves, it would be naive to assume that all states, or any state, would view education priorities in the same order as those of the federal government. Strict federal guidelines help ensure that federal goals are paramount.

Moreover, federal categorical aid has been viewed by its designers as serving a "capacity building" function. States receive funds to initiate state-wide approaches for innovations in education, an activity which states have never placed high on their list of priorities. Without a specific mechanism for capacity building, states would probably use federal aid as part of the regular provision of educational services.

The final, and perhaps most important, fiscal accountability issue is that of maintenance of expenditures or service standards. The question which must be addressed is how seriously would the substitution effects of a consolidation approach impinge upon service level and standards.

While consolidation proposals need not eliminate the application of other federal legislation, they could make it more difficult and time consuming. At present, the compliance mechanism is relatively straightforward and easy to follow. There is a risk in consolidation that this could be diminished or lost. Consolidation could be interpreted by state education agencies as implying that the federal government no longer views service requirements as a vehicle for fiscal accountability. It seems inevitable that states would begin to view federal fiscal controls less seriously. Ultimately, this would lead to decline in service standards and the quality of service.

ADMINISTRATIVE ISSUES IN GRANTS CONSOLIDATION

Consolidation would place additional administrative burdens on state and local governments. Experience with the Vocational Education Act requirement for comprehensive state planning, for instance, raises serious questions about the ability of some states to develop realistic plans and the advisability of providng discretionary responsibility to states for planning to achieve national purposes. Despite the great variety in state vocational education plans, there is little clear evidence of significant differences in results from one state to another, or from a state before planning and the same state afterwards. Certainly differences do exist, but it would be a far stretch of the imagination to say they came about as a result of federal requirement for state vocational educational plans.

Experiences with the Comprehensive Employment and Training Act (CETA), a consolidated program, raise critical questions about mismanagement and lack of accountability as well as the capacity of state and local governments to manage large programs of national importance. There has been outright fraud and misuse of funds in some CETA programs, along with more subtle administrative shortcomings including the use of CETA funds to supplant rather than supplement local governmental budgets. This latter point should be of grave concern in education grants consolidation.

Increasing state discretion in program monitoring and enforcement of regulations may result in additional problems of fraud and abuse. Some states have outstanding records in monitoring and enforcement, but other states are notoriously lax. Federal categorical aid programs provide for fair, even, and comprehensive monitoring and enforcement activities.

POLITICAL ISSUES IN GRANTS CONSOLIDATION

Earlier, a strong case was made that a national legislature, the Congress, can best determine the will of the people in deciding what national needs or interests are and how national goals can best be achieved. This is not to suggest that the federal role impinges in anyway upon the traditional state responsibility for education. In a sense, the federal and state roles are parallel; neither one necessarily a threat to the other. To say that education is mainly the responsibility of the states only clarifies the federal role and in no way implies that it is unimportant or peripheral.

In writing federal education legislation, Congress has developed complex and comprehensive programs to meet identified national priorities. In effect, through grant consolidation states could undo the work of Congress by substituting their own judgment, to a certain degree, of how best to achieve national priorities. Political scientist Theodore Lowi pointed out that policy without law or regulation will ultimately come to ends profoundly different from what was intended by those who made the policy. We cannot afford to lessen federal control and have federal funds used in a way "profoundly different" from what Congress intended. Lowi further points out the potential dangers of policy execution in the absence of public and explicit legislative standards by which to guide administrative action.[5]

Grants consolidation may well lead to a foiling of Congressional intent and an abrogation of the traditional federal role in education. The political battle over the allocation of federal funds would shift to the state level. National priorities could become buried in the political quagmire of competing state interests and needs. On the national level, the highly visible give and take of competing educational interests provides a creative tension which enhances the development of sound policies. Whether this would uniformly happen in 50 or 25 or 6 state legislatures is open to serious question. Also, the wide representativeness of a national legislature probably is a major contribution to sound policy-making.

The effort of writing education legislation arouses a high degree of participation among a wide variety of educational interest groups. While some would decry this as unwarranted intrusion into federal policy-making, the checks and balances provided by the involvement of politically astute and often powerful groups may, by their active participation and close scrutiny, bring an unprecedented degree of public accountability into these programs. It is highly doubtful whether a consolidated approach with broad, loose program guidelines could provide the same level of interest, participation, and, ultimately, public accountability.

A high level of interest group participation can lead to the writing of fairly complete, comprehensive legislation requiring a minimum of enabling regulations. A lessening of participation and the adoption of broad consolidated programs could lead to the need for more administrative regulations, rather than fewer. Thus, program control would not rest with the states or national interest groups and the Congress, but with the regulation writers in the federal bureaucracy.

While education grants consolidation might bring programs closer to the grassroots, there is a compelling argument that such a move might invite increasing criticism of government operations. In the wake of California's Proposition 13, numerous polls have shown that the American public has lost confidence in all institutions, including government; that they are not getting their money's worth out of government; and that they are frustrated with the bureaucracy.[6] Interestingly, between 1960 and 1975 federal civilian employment rose by 19.4 percent, while state government employment increased by 114.0 percent and local government employment by 81.6 percent. The growth in federal employment, in fact, only barely exceeded the U.S. population growth over the same period. The point is that the federal bureaucracy has not grown significantly while the state bureaucracies have seen great growth. Grants consolidation will only further swell state bureaucracies. If the polls are correct, adding to state bureaucracies will only fuel the fires of discontent.

Federal-State Relations

The entire issue of categorical grants *vs.* consolidated grants raises an additional set of questions relating to relationships between the federal government and state governments.

Consolidation of federal education grants would result, by design, in greater discretionary authority at the state level. Within the context of broad, general federal guidelines, states would allocate funds among competing geographic, programmatic, and political interests. There has to be some concern about the ability of such programs to meet federal goals. For example, the goal of equal educational opportunity has already been resisted by some states and increased state discretion will only exacerbate the problem. The broader federal view can be best achieved through federal categorical programs with rather strict requirements.

There is also some evidence that federal categorical programs have a strong and profound influence in many states on the educational policy agenda. By highlighting certain needs or problems, by encouraging programs to meet those needs or solve those problems, and by causing the state to provide some leadership in program administration in those areas, the federal government is also stimulating that state to consider these needs or problems in its own policy agenda. This incentive might well be lost if program requirements of federal aid to education were in any way lessened or relaxed.

Federal categorical grants have also increased the capacity of the states in areas such as program management and planning and evaluation. If aid programs were consolidated and states were to spend federal funds through their own existing structures, the capacity building mechanism could be diminished or lost.

The evaluation component provides another potential danger of education program consolidation. Effective implementation of programs requires that adequate, reasonable evaluation be performed and that, through this and other mechanisms, the program be monitored. While onerous to some, federal monitoring requirements are quite fair and effective. Decreasing federal and increasing state responsibility for monitoring is to invite a reduced quality of monitoring. States will be shelled with forces in favor of lessening monitoring in this place or in that for a variety of reasons—probably some legitimate and many not. Of course, this may be precisely what some supporters of grants consolidation are seeking. Particularly now, however, when the public is especially vocal in demanding accountability for public programs, education cannot afford a move that would lessen accountability.

Concluding Comments

Grants consolidation, such as that proposed by Senators Domenici and Bellmon is an example of the wrong program at the wrong time. The federal role in education has historically been one of supplementing state and local education efforts by developing programs in the national interest to assist needy populations or to remedy national problems. These programs have generally worked well, and there is no reasons to dismantle them. As Bert Lance once advised, "If it ain't broke, don't fix it." There is no doubt that improvements can be made in federal programs. The recent revisions of Title I and VII of the Elementary and Secondary Education Act through the Education Amendments of 1978 are a good example of federal programs that work but that can be continually improved. Some proposals currently under consideration, such as longer funding cycles, seem to have merit and need to be considered further.

Even if the changes outlined in the Domenici-Bellmon proposal were merited, the time does not seem ripe for even a demonstration project. The political climate at present calls into question the advisability of instituting changes that will swell state bureaucracies and impose additional burdens on state and local governments.

Footnotes

[1] Frank J. Goodnow, *Politics and Administration,* New York: The McMillan Co., 1900, p. 22.

[2] Herman Finer, "Administrative Responsibility in Democratic Government," *Public Administration Review* (Summer 1941), p. 335.

[3] Stephen M. Barro, "Federal Education Goals and Policy Instruments: An Assessment of the 'Strings' Attached to Categorical Grants in Education, in *The Federal Interest in Financing Schooling,* P. Michael Timpane, ed., Ballinger Publishing Co., Cambridge, Massachusetts, 1977.

[4] Mary E. Vogel, "Education Grant Consolidation: Its Political Fiscal and Distributive Impacts," Rand Corporation, Santa Monica California, WN-10059-HEW, December, 1977.

[5] Theodore Lowi, *The End of Liberalism: Ideology, Policy and Crisis of Public Authority,* New York: W. W. Norton Co., 1969.

[6] This trend has been noted in the polls done by Gallup, Field, Roper and others.

PART III

CONSOLIDATION: IMPACTS ON THE SYSTEM

VII

The Fiscal and Distributive Impacts of Grants Consolidation

Mary E. Vogel

In response to mounting concern over the costs, administration, and efficacy of existing federal education programs, some policymakers have recently proposed grant consolidation as one avenue of change.[2] The notion of consolidation comes as no novelty to the national policy arena, having first been proposed by President Nixon in 1971 and 1973 in his special revenue sharing proposal known as the Better Schools Act. Although both the Better Schools Act and a more limited Nixon proposal to consolidate education programs were rejected by Congress, major consolidations in the fields of manpower and community development and two partial consolidations in education have subsequently been enacted. President Ford submitted one comprehensive blueprint for consolidation of education grants to the Congress in March 1976. In September 1976 and again in 1978, a second formal option for the consolidation of categorical grants for education was submitted by Senators Domenici (R-Colo.) and Bellmon (R-Okla.). While both of these education initiatives stalled in Congress, interest in some form of consolidation persists at all levels of government. President Carter has not yet taken a position on the issue, although the proposed Department of Education might entail consolidation of some existing programs.

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The Existing Categorical Structure

Responding to inequities in the educational opportunities available to American youths, federal policymakers launched during the 1960s a series of programs that provided financial assistance to state and local education systems.[3] The best known of these aid programs was the Elementary and Secondary Education Act of 1965. Since that time federal education expenditures have risen sharply—increasing roughly 100 percent from $2 billion in FY 1966 to a total of more than $4 billion in FY 1976.[4] The number of federal programs has also increased dramatically during the same period.

Typically the federal government does not use its education assistance to provide services to students directly. Instead, federal education funds are generally disbursed as intergovernmental aid to state and local governments—mainly in the form of categorical grants which prescribe uses to which the funds may legitimately be applied. The Table below lists the major classes of federal categorical grants in education along with their FY 1976 appropriations.

ESTIMATED FEDERAL EXPENDITURES FOR ELEMENTARY AND SECONDARY EDUCATION, FISCAL YEAR 1976

Programs	**Expenditures ($ millions)**
*Aid to Target Groups**	
Disadvantaged (Title I and Follow Through)	2,109
Bilingual	99
Indian	57
Handicapped	326
	2,591
Other Grants to States and School Districts	
Support and innovation	185
Libraries and instructional equipment	147
Impacted areas aid	704
Vocational and adult education	617
Emergency school aid	272
Miscellaneous project grants	109
	2,034
TOTAL	$4,625

SOURCE: Education Division, "FY 1977 Labor-HEW Appropriations Bill," August 12, 1976.

*This listing excludes "set-asides," which are shares of funds under various education programs designated to be spent on a particular target group.

Pressure For Grants Consolidation

In recent years, federal categorical programs have been attacked on several counts. Some educators and policymakers have proposed that the categorical programs be consolidated into a simpler, less restrictive block grant program, giving states greater discretion over the uses of federal funds. The consolidation proposals advanced to date range from integration of a handful of minor programs to efforts that would subsume all existing categorical awards under a single totally unrestricted block grant system.

Defenders of the categorical system oppose consolidation, claiming that relaxation of controls on state and local expenditure of federal aid would allow diversion of funds from federally designated target groups and programs to majority pupils and general aid. Proponents of consolidation have thus far tended to avoid these resource allocation issues—basing their case on questions of administrative efficiency. The task of challenging the likely allocative impacts of consolidation has been undertaken mainly by advocates for target groups that might be adversely affected by consolidation.

Purpose of this Paper

Despite recent interest in consolidation, reliable information about the allocative shifts that might stem from such a policy appears quite meager.[5] The paper attempts to help close that gap by synthesizing the existing empirical evidence on likely fiscal and distributive effects of consolidation and by assessing what we do and do not know about this largely untried policy option. The paper largely bypasses questions of program management and implementation except as they bear on resource allocation. Although the allocative impact of grant consolidation ultimately depends on both state and local response, this paper concentrates on state response since an estimate of state reaction must logically precede assessment of contingent local spending.[6]

ISSUES IN FEDERAL AID TO EDUCATION

The federal education programs of the 1960s required some basic changes in federal-state relations. These programs expanded the federal role in education from one of limited intergovernmental aid with perfunctory control over its uses to that of using substantial categorical aid to pursue specific goals of national interest.

Assessment of current aid strategies must proceed at two levels. First, one may ask whether the federal government is pursuing the right goals. A second question is what policy instruments are best suited to achieve that set of goals. For purposes of this paper, federal education goals are assumed to be those that have received federal priority over the past decade. Given those goals, we examine recent critiques of the categorical system, the tradeoffs raised by consolidation, and the policy questions that must be resolved if an informed choice between aid strategies is to be made.

Federal Goals in Education

In the 1960s when most federal aid to education was authorized by Congress, the rationales offered for each assistance bill were nearly as numerous as the proponents involved.[7] Although federal education programs still exhibit some ambivalence of purpose, certain fundamental concerns have remained quite constant for more than a decade:

- *Equal educational opportunity* for all students by redistribution of resources to schools in areas with high concentrations of low-income families, inducement of state and local education services for target groups of students, desegregation of schools and assurance of other education-related constitutional guarantees
- *Inducement of specific state and local education services which are in the national interest to enhance*—as in the preparation of students for employment
- *Educational research and innovation* to develop knowledge about the best means to accomplish education objectives
- *Reform of state and local educational practice* through dissemination of research findings, technical assistance and capacity building
- *Compensation for reductions in tax base* through a program of general aid to localities that lose taxable property as a result of state and local installation of tax-exempt facilities within their boundaries.[8]

Since these concerns had previously received scant state and local support, Congress prescribed allowable local education uses for federal aid dollars and allocated funds in the form of categorical grants. Thus, the categorical restrictions placed by Congress on federal education grants derive from the fact that the federal goals had not been funded by the states when left to their own devices. To induce the states to use federal funds for activities of national interest, federal policymakers earmarked the funds exclusively for uses related to their goals.

As various critiques of the categorical system were examined, it became clear that some attacks on those programs are attacks on the means being used to achieve the federal goals listed above, but that others are attacks on the goals themselves. In the following pages a distinction is made between these different types of critiques, since they have radically different implications for policy and for the intended distribution of program benefits.

Critiques of the Categorical Grant System

In recent years the categorical programs in education have been attacked on a number of grounds: (1) excessive centralization of educational decisionmaking at the federal level, (2) distortion of state and local budgets, (3) inadequacies in the design of resource control provisions, (4) impeding of sound pedagogy, and (5) administrative shortcomings such as duplication, waste, excessive red tape and induced fragmentation of state programs. Many of these attacks have come from the states which may have a political interest in procuring large unrestricted grants. However, it appears that public concern about federal education programs may now cut deeper than intergovernmental politics—reflecting instead some real differences about federal education goals and the strategies that should be used to achieve them.

Centralization of Education Decisionmaking. Categorical grants are alleged to promote excessively centralized education decisionmaking. This assertion reflects, however, a basic ideological split within the education community regarding the appropriate role of the federal government in education expenditure decisions. While primary responsibility for education has traditionally been exercised by the states, the federal government has recently specified several education priorities of major national interest (for example, equity). The inability or unwillingness of state and local governments to address those concerns effectively led to an expanded federal role in education during the 1960s. This new federal role has triggered vociferous debate over the legitimate extent of federal involvement in education policymaking. The controversy has focused on the costs imposed in terms of reduced state-local autonomy and responsiveness to constituent needs. For example, wherever federal grants "bypass" a state, going directly to a local government, bypassed state officials allege that their budgetary authority and local accountability are undercut.

It is important to note, however, that criticism of excessive centralization implies nonacceptance of federal goals insofar as they differ from those of the states. The centralization argument is essentially an ideological one over the legitimacy of imposing federal education goals.

Distorting Effects of Federal Aid on State and Local Budgets. A second criticism of federal goals is the argument that federal categorical grants distort state and local budgets. For example, states may respond to the availability of federal matching funds for specified services by diverting money from nonmatching state programs into some of the federally aided uses, thereby depriving the former. Rigid categorical requirements may also lead grantees to provide needed services in short-sighted or counterproductive ways.[9] Finally, availability of categorical funds sometimes appears to induce grantees to expand into new service areas—which may subsequently overburden their budgets if the federal grants are reduced or terminated.

Although it is true that federal categorical and matching grants may shift state and local expenditure away from what they would otherwise have been, that is the intent of categorical aid. To decry such shifts as illegitimate distortion is to repudiate the goals of the programs themselves.

Adequacy of Resource Control Provisions. Even among those who accept federal goals, categorical grant instruments, as currently designed, have been criticized as inadequate to achieve allocative goals even if state and local governments complied fully with federal regulations.[10] For example, some controls have become less effective as federal and state spending priorities have converged or as the policy context has changed.[11] Other critics allege that the intent of the existing resource control provisions is currently thwarted by widespread noncompliance.

Advocates of consolidation draw on such evidence to argue that the allocative intents of categorical programs are presently being foiled, while the administrative burdens of those programs persist. They argue, therefore, that consolidation would sacrifice little in terms of federal objectives while, administratively, much might be gained. However, if states and school districts do not comply under the present categorical grant system, it can obviously be argued that they will not voluntarily pursue the federal goals. This line of argument thereby leads to a case for more stringent controls under a categorical system.

Impediments to Sound Pedagogy and Program Design. A second criticism of categorical programs as a means to achieve current federal goals suggests that excessive restrictions may impede the design of sound education programs at the state and local level, especially in progressive jurisdictions. For example, the Title I requirements which lead to classification of certain students as educationally disadvantaged and provide for separate treatment of them may well promote bad pedagogy.

In general, the states contend that over-restrictiveness and lack of coordination among federal categorical programs has led to fragmentation of state education systems and has reduced flexibility to respond to local education needs. (For example, states currently must treat multiple-problem children under several specialized programs rather than a single comprehensive one.) More specific antagonisms have also surfaced over conflicts between federal and state program regulations, federal use of "pass-through" monies, and the award of some federal grants directly to localities.

Program Administration. Finally, the categorical grant programs are frequently attacked for poor management. Programmatic overlap and duplication have allegedly contributed to rising costs, waste, and inefficiency.[12] Grant application and reporting procedures have also been criticized for excessive detail and complexity. Grantees allege that the entire process is inordinately time-consuming, slow, and tortuous. Still others criticize the nature of the grant mechanisms that are used, claiming that project grants may reward grantsmanship and political influence, rather than the substantive merit of a proposal, However, this last criticism applies solely to a few minor education programs because the major education programs do not use project grants.

Even if management problems, waste, and duplication under the present categorical system demonstrate a clear need for reform, consolidation might well fail to solve these problems. Furthermore, it appears that some offices and administrative procedures might be reformed by rationalization and simplification within the framework of the categorical system. Such an effort might selectively dismantle duplicating, obsolescent, or ineffective administrative processes and structures, while retaining relatively effective ones that enable the application of federal dollars to activities of national priority.

Issues Posed by Competing Aid Strategies

If it is politically determined that the federal goals discussed in this paper are no longer appropriate, the categorical programs designed explicitly to serve those goals should be eliminated. But one could also assume that national education goals are valid (including those that provide special support for federally designated target groups and programs), while the implementation of current categorical grants is defective. In that case, the central issue is whether a tradeoff is appropriate that is different from the present one between centralized decisionmaking and control versus state-local autonomy. The aid strategy ultimately selected depends on the assessment of two key policy questions:

- ▶ To what extent are federal resource allocation goals likely to be sacrificed if federal categorical programs are replaced by a consolidated system of block grants to the states?
- ▶ Is grants consolidation necessary and sufficient to ameliorate the administrative problems and intergovernmental conflicts inherent in the categorical system?

This paper examines the first question—the allocative impacts of grant consolidation. The second question is addressed in the article that follows by Lorraine McDonnell.

POTENTIAL IMPACTS OF GRANTS CONSOLIDATION

Practically speaking, consolidation involves deleting or relaxing various provisions attached to categorical grants. To anticipate the extent to which consolidation would sacrifice federal resource allocation goals, it is first necessary to understand how existing grant provisions affect allocative outcomes. For purposes of this analysis, it is useful to conceive of a grant, either categorical or block, as a simple flow of funds constrained by certain restrictions on how the money may be spent. Because consolidation proposals vary in the provisions they would eliminate, where possible, the allocative impacts of each provision have been examined separately. Where empirical evidence exists regarding these impacts, then, it is possible to infer the likely impact of removing an individual constraint.

Allocative Impacts

The term impacts, as used in this paper, refers explicity to the effects of federal policy instruments on selected allocative outcomes. The five allocative impacts examined derive from the federal education goals discussed above. If federal goals are to be met, grants must generate additional educational outlays for target groups and programs of national interest. Thus, a first concern is to ensure that federal aid translates into extra spending at the state and local levels. In what follows, that potential expenditure effect is referred to as the *net fiscal impact* of federal grants on total state spending for education.

To further federal goals, these additional state outlays must also be allocated to target groups and programs or to reform of educational practice.[13] The remaining four impacts pertain to potential intrastate shifts in the allocation of federal grants. They are the impact on *allocations across target groups* of students (such as the disadvantaged, handicapped, bilingual); the impact on *allocations across programs of national significance* (for example, vocational education); the impact on *allocations across educational inputs* or objects of expenditure (teacher salaries, classroom aides, books, administration, and so on); the impact on the *distribution of benefits across jurisdictions* of various types (for example, high or low income, urban or rural).[14] Specifically, the goal of equal educational opportunity dictates an interest in allocations across target groups and jurisdictions. To ensure that services of national significance are offered, allocations must be provided for programs to perform that task. Finally, federal attempts at educational reform render allocations across educational inputs relevant.

In examining the impacts of grants consolidation, then, an assessment is made of the effects of deleting selected grant provisions on allocation across these target populations and activities.

The Problem of Fiscal Substitution

State governments play a major role in determining the way federal grants are ultimately spent by acting as fiscal intermediaries. Under the present system, a state that receives a categorical grant may respond either by spending the entire grant on education so that it is totally additive or by displacing some of its own funds that would otherwise be spent on education. From the outlays eventually made for education, a state must also make allocations across target groups, programs of national interest, educational inputs, and types of jurisdictions. These federal spending priorities must be balanced against the needs of the "normal" students and other state priorities.

In other words, federal grants do not automatically reach their intended recipients or uses. Instead, some displacement tends to occur no matter what type of grant mechanism is used. Thus, the problem of fiscal substitution is not unique to block grants. The provisions attached to the grant may influence the degree of substitution. The main issue is whether federal grants are likely to be substantially less targeted on federal priorities under a looser, consolidated program than under the present categorical grants. The answer depends on the specific provisions that a consolidation proposal would delete.

Potential Changes in Grant Provisions

Categorical grants contain a number of provisions designed to direct outlays to uses that have high federal priority. In the simplest case, a consolidated block grant system would delete all such provisions. However, every serious consolidation plan advanced thus far has proposed that at least a few categorical restrictions be retained, even as they recommend that the federal role in selecting grantees be largely replaced by increased state discretion.

The review of empirical evidence in this paper attempts to assess the likely allocative impacts of shifting from categorical to block grants. This subsection describes the main changes that would probably be made in the categorical grant provisions under a consolidation, as a preliminary to empirical analysis of their impacts.[15] The first such change is a shift in the locus of allocative discretion to the states. Most proposals advanced to date also propose deleting to some extent earmarking, restrictions on intrastate distribution criteria,[16] resource controls, and monitoring and enforcement.

State Allocative Discretion. To date, virtually every serious proposal to consolidate education grants recommends a shift in the locus of allocative discretion to the states. Anticipating the allocative impacts of such a shift is increasingly acknowledged to be a complex problem because the states differ widely in management capability, progressivity of spending priorities, and general fiscal health—differences that bear importantly on the way unrestricted federal money is likely to be spent.[17] The disposition of federal aid by state education systems represents a politicized compromise between federal education objectives and more or less congruent state priorities.[18] In general, state allocative behavior under conditions of greater discretion will be mainly determined by the extent of this divergence between state and federal education priorities.

Earmarking. Earmarking provisions specify the uses to which a federal grant may legitimately be applied. These requirements are most often used to direct resources to target groups and programs of special national interest (such as the disadvantaged and non-English speaking groups or vocational education programs). Elimination of some or all earmarking provisions currently contained in categorical grants is a major thrust of most consolidation proposals.

Restrictions on Intrastate Distribution Criteria. Despite proposed shifts of allocative discretion to the states, some consolidation plans would maintain selected categorical provisions that constrain the intrastate distribution of federal funds. Among such restrictions are "passthrough" requirements and allocation formulas or project selection criteria.

Resource Control Provisions.[19] These provisions are essentially expenditure constraints designed to ensure that federal grants call forth the desired resource allocation. The control provisions most frequently used in education are (1) nonsupplantation provisions, which require that federal grants "supplement and not supplant" state and local funds that would otherwise have been expended;[20] (2) limitation to excess costs, which stipulates that federal funds be used only to pay for program costs exceeding the "regular" per pupil costs of a school system in order to ensure that grants provide extra services for target pupils; (3) maintenance-of-effort provisions, which require that grantees maintain the level of fiscal effort of the previous year for the federally aided programs in order to prevent federal aid from displacing local funds; (4) comparability, which mandates that local districts provide the same level of state and local resources to target pupils as to normal pupils in their systems; (5) matching requirements, which provide that the grantee match federal grants with nonfederal funds to stimulate local support for federally aided programs; and (6) expenditure or service standards, which impose absolute or relative expenditure or resource input requirements on recipients of federal grants.

The consolidation proposals submitted thus far each recommend relaxation or deletion of some of these provisions. There is no consensus about which ones should be retained.

Monitoring and Enforcement. Monitoring provisions specify how to identify grantee noncompliance with federal program regulations. Enforcement provisions prescribe consequences for noncompliance. Traditionally, the Office of Education has attempted to ensure local accountability for the expenditure of federal grants through special audits. But audits of accounts that are separately maintained for federal grant monies cannot assess the net additive effect of those funds on local spending. They cannot detect the extent to which displacement of local funds offsets increased federal aid—particularly where foregone spending increases are involved. Recent efforts to surmount this problem include the development of input and service standards.

Enforcement provisions currently in use include consideration of a grantee's previous record of compliance in decisions regarding grant renewal or the award of new grants, partial or total withholding of grants, and procedures for reclaiming grant money adjudged misspent. Federal enforcement procedures have been too severe, and thus have been rarely used. The government is now considering a system of graduated penalties that depend on the gravity of the abuse.

FISCAL AND DISTRIBUTIVE IMPACTS ON EXPENDITURES FOR EDUCATION

At present, only minor education consolidations have been accomplished and no data on those efforts are yet available. In the absence of direct evidence on the impacts of previous consolidations, some arguments can be pieced together from an assortment of empirical studies to infer the likely impacts of consolidation.

Net Fiscal Impact on State Spending for Education

Empirical evidence on the net fiscal impact of grants consolidation on total state spending for education was taken mainly from econometric research on the determinants of public expenditures.[21] Earlier reviews have shown that many existing studies suffer from a number of methodological shortcomings.[22] Therefore, conclusions about fiscal impacts have been drawn only where the available findings are robust enough to warrant reasonable confidence.

Previous econometric research yields some information about the net fiscal impact of three grant design changes likely to be made under a consolidation: (1) a shift in the locus of allocative discretion to the states; (2) removal of earmarking; and (3) elimination of matching requirements. There is little relevant empirical evidence about the fiscal impact of eliminating restrictions on the substate distribution of funds, resource controls, or monitoring and enforcement provisions.

Review of the empirical evidence suggests that a shift in allocative discretion to the states would tend to reduce the stimulative effect of federal aid for education. Under a consolidation plan giving greater allocative discretion to states, it is assumed that federal funds would tend to be administered more like state aid than they are now. Consequently, the net fiscal effect of the federal grant would become more like that of the present state grants and less like that of the current federal categorical grants. Available empirical evidence indicates that federal (categorical) aid to education is generally stimulative while state (general) aid for education is consistently substitutive. Therefore,

▶ *If a consolidated system of discretionary block grants to the states is initiated, some reduction in the stimulative effects of federal aid is likely to occur.*

Little is known about what accounts for these differences in the fiscal impact of federal and state aid (for example, type of grant, strictness of enforcement). Research on this question would help considerably is estimating the extent of likely shifts in fiscal impact.

Empirical research also supplied some evidence that the deletion of earmarking would make federal categorical grants less stimulative of local spending. In general, consistent evidence was found from research on education and other public services that unrestricted lump-sum grants tend to be substitutive, while earmarked or categorical grants are neutral or stimulative. This indicates that

▶ *To eliminate earmarking would probably reduce the net fiscal impact of federal grants.*

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The available evidence also suggests that

- *Elimination of the matching requirement, because of its peculiar circumstance in education, is unlikely to have any significant effect.*

This is because matching provisions are used only in the vocational education program, where the requirement is closed-ended and overmatched at a rate of roughly 7 to 1—indicating that the provision currently induces no incremental state expenditures at the margin and that the grant currently functions in effect as a lump-sum transfer.

The empirical literature had little to say about the net fiscal impact of individual resource control, monitoring, and enforcement provisions. Additional research on this important question would be of great value in considering both the Domenici-Bellmon bill and potential design changes within the categorical framework.

Impact On Allocations Across Target Groups, Programs and Jurisdictions

We examined the likely effect of consolidation on allocations across target groups of students, programs of national significance, educational inputs, and recipient jurisdictions. Because of the lack of empirical evidence about the effect of individual grant provisions in these areas, the original question was reversed, and the paper examines instead what allocative shifts would tend to occur if *all* existing categorical restrictions were eliminated and state spending priorities were to prevail. We presumed that if states were given more discretion, they would tend to allocate federal funds more in accordance with their own priorities than those federal funds are allocated now. Where federal and state priorities diverge, shifts in the allocation of federal grants can be expected; where federal and state goals are congruent, fewer changes in present allocation patterns are likely.

Because no direct empirical evidence exists on the allocative effects of previous education grants consolidations, we relied on indirect evidence about state spending priorities and likely allocations under a consolidation. Four types of information were considered: state compliance with existing categorical programs,[23] state patterns of expenditure (from non-federal funds) for purposes having high federal priority,[24] state allocation of some federal discretionary grants,[25] and allocative impacts of previous block grant programs and consolidations in noneducation domestic program areas.

While some interstate variation is likely, the data are generally consistent about the types of shifts to expect. Regarding allocations for target groups, empirical research suggests that if categorical restrictions were removed,

- *Allotments for the disadvantaged would probably be reduced in some states.*

However, the federal role in funding education for the handicapped is sufficiently minor and other pressures for support of the handicapped are sufficiently strong that

- *Allotments for the handicapped appear likely to remain substantially undiminished in most states, at least in the short run.*

Relatively little is known about the long-term effects of categorical grants, either as a political device for signaling federal priorities or as a contributor to the strength of various special interest lobbies.

The evidence on allocations across programs of national significance indicates that

- *Allocations for vocational education would probably remain intact, and*
- *Where a block grant subsumes pre-existing categorical programs with established constituencies, initial maintenance of those programs is likely.*

The evidence on likely shifts in allocations across educational inputs is largely inconclusive, although there may be some tendency to retain funds at the state level for administrative purposes.

Finally, with respect to the likely distribution of benefits across jurisdictions, the evidence is again somewhat mixed but indicates that, all else being equal,

- *Some shift would probably occur away from low-income jurisdictions.*

POLICY DESIGN ALTERNATIVES

These conclusions suggest that if grants are consolidated, some allocative shifts that contravene present federal objectives may occur. In particular, under an unrestricted block grant, the disadvantaged seem likely to incur the most severe losses. This raises the question of whether grant mechanisms exist that are both consonant with decategorization and maintain some capacity to further major federal education objectives. Three such possibilities appear to be:

- *Administrative simplication of categorical programs,*

- *Block grants subject to performance standards, and*
- *Differential treatment for the states.*

Short of consolidation, grant administration procedures could be rationalized and streamlined within the existing categorical framework. Even if grant consolidation is seriously considered, simplification, the first option, should probably be examined independently since it is not clear that consolidation would automatically ensure this type of reform. Instead the states might replace federal regulations with complex categorical systems of their own.

A block grant system that delegates allocative discretion to the states relinquishes federal capacity to use grants to pursue federal education goals. The federal government might retain some control over the goals toward which grants are applied by using the second option, establishing a goal-related performance standard which, upon being achieved by the states, could trigger a switchover of that state to a discretionary block grant award. Thus, by using a performance standard as a trigger, the federal government might retain some control over education objectives, while at the same time allowing the states greater discretion regarding the means to achieve those objectives.

One major problem raised by any proposal to shift allocative discretion to the states is the existence of substantial interstate variation in spending priorities and recalcitrance with respect to federal education objectives by some states. This suggests that the third option of contingent or differential treatment of the states might be examined. One differential treatment option is described above where those states meeting a minimum performance or service standard might be allocated funds on a more or less discretionary basis, whereas states failing to meet the standard might be required to operate under restrictions similar to those contained in existing categorical programs. Other options include the waiver of federal restriction on shown cause by the states and the development of individualized state plans as contractual bases for accountability.

Footnotes

[1] The study, Mary E. Vogel, *Education Grant Consolidation: Its Potential Fiscal and Distributive Impacts,* was commissioned by the Education Policy Research Center on School Finance and Governance at The Rand Corporation. The work of the Center is supported by the Office of the Assistant Secretary for Education in the Department of Health, Education and Welfare from whom copies of the original study may be obtained.

[2] The term consolidation is used here to refer to a change in authorizing legislation that merges the award processes for two or more grants and eliminates some or

all restrictions on the use of federal funds in favor of relatively unconditional block grants to the states. This definition thus excludes informal efforts at cross-program coordination that do not involve permanent structural change.

[3] Limited federal aid to education existed as early as the Smith-Hughes Act of 1917 and the Morrill Act of 1862. However, the Elementary and Secondary Education Act of 1965 (ESEA) and other of its contemporaries signalled a dramatic departure from the federal government's traditional abstention from major financial involvement in education—an area implicitly delegated to the states under the Constitution. See, Honorable Hunter Andrews, "Statement before the Subcommittee on Elementary, Secondary and Vocational Education," Testimony at Hearings before the Subcommittee of the House Committee on Education and Labor, Washington, D.C., June 9, 1976.

[4] *Budget of the United States,* FY 1967, and Education Division, "FY 1977 Labor-HEW Appropriations Bill," August 12, 1976.

[5] While the Domenici-Bellmon consolidation proposal is one of the consolidation options considered, the study on which this paper is based does not focus exclusively on that bill. Rather, it is designed more broadly to address the issues which consolidation, in general, raises.

[6] Also excluded is virtually any consideration of potential impacts on the interstate distribution of benefits, in order to focus more thoroughly on intrastate concerns.

[7] For an illustration drawn from the Title I experience, see Milbrey Wallin McLaughlin, *Evaluation and Reform: The Elementary and Secondary Education Act of 1965/Title I,* Ballinger Publishing Company, Cambridge, Massachusetts, 1975.

[8] This classification of federal education objectives was adapted from Michael Timpane, *Federal Aid to Education: Prologue and Prospects,* WN/9741/HEW, The Rand Corporation, Santa Monica, California, 1977; and Richard Brandon, "Towards a Framework for Restructuring Federal Education Programs," unpublished paper prepared for the U.S. Senate Budget Committee, March 1976.

[9] For example, Reischauer illustrates a case from the field of transportation where narrow categorical restrictions limiting the use of federal aid for mass transit to capital expenditures induced some jurisdictions to purchase new mass transit vehicles from matched funds rather than maintain or upgrade their existing stocks from locally generated contributions. See, Robert Reischauer, "The New Federalism and the Old Cities: The Local Implications of Shifting from Categorical to Block Grants," unpublished paper, The Brookings Institution, Washington, D.C., December 1973.

[10] See, Stephen M. Barro, "Federal Education Goals and Policy Instruments: An Assessment of the 'Strings' Attached to Categorical Grants in Education," in *The Federal Interest in Financing Schooling,* P. Michael Timpane, ed., Ballinger Publishing Company, Cambridge, Massachusetts, 1977; and George F. Break, *Intergovernmental Fiscal Relations in the United States,* The Brookings Institution, Washington, D.C., 1967.

[11] For example, when the Elementary and Secondary Education Act was passed, the comparability requirement contained in Title I was potentially a strong device for channelling targeted funds to intended recipients. Two necessary preconditions of

this potency were: the virtually total absence of any nonfederal funds for compensatory education—a circumstance that precluded local fiscal substitution—and the systematically lower share of school district allotments received by Title I schools in some areas. At the present time, however, local education budgets have substantially changed and nonfederal funds for compensatory education are increasingly available as the states have begun to initiate programs of their own. As a consequence of these and other changes, the power of the comparability provisions has declined. There are numerous other examples of grant provisions that are difficult or costly to implement or of dubious potential worth.

[12] Reischuaer, *op. cit.*, cites several studies which conclude that the current grants system is beset by serious organizational and administrative problems, including one by Thomas C.W. Joe which found that at one point there were within the Department of Health, Education, and Welfare nineteen distinct categorical programs operated by four different agencies with statutory or administrative authority to fund dropout prevention programs. Reischauer notes that the Department of Labor, the Office of Economic Opportunity, and the Law Enforcement Assistance Administration also awarded grants for this same purpose. See also William Lilley III, et al., "New Federalism Report: Tests of Revenue Sharing Approval Identify Problems in Transferring Power to Cities," *National Journal*, March 3, 1973, pp. 294, 308–309.

[13] Subsequent analysis excludes the federal goal of compensating localities for losses in tax base accruing from the location of federal facilities within their boundaries because impact aid which was designed to redress that problem is not among the education programs recently proposed for consolidation.

[14] This classification allows for some duplication. The category "programs of national significance" is a residual category from which programs designed explicitly to serve target groups have been netted out.

[15] The discussion concentrates on provisions in the largest categorical programs (for example, compensatory education, vocational education, and aid to the handicapped), although most of the same provisions are also used in the smaller programs. In those cases in which the grant provisions are nonbinding—that is, where a grantee would spend the same amount in the absence of aid as in receipt of it—the impact of the aid may be treated conceptually in the same way as unrestricted lump-sum aid.

[16] This item is a residual category containing all restrictions on substate distribution exclusive of earmarking.

[17] For example, Murphy observes striking differences among state education agencies in administrative sophistication, political influence, and operating procedures. See Jerome T. Murphy, *State Education Agencies and Discretionary Funds*, Lexington Books, Lexington, Massachusetts, 1974. Berke and Kirst emphasize the impact of these socio-political differences on state use of federal aid. See Joel S. Berke and Michael W. Kirst, *Federal Aid to Education: Who Benefits? Who Governs?*, Lexington Books, Lexington, Massachusetts, 1972.

[18] The distributional effects exerted by this divergence of priorities are illustrated by the state compensatory education efforts, some states have initiated programs and employ a variety of allocation techniques that range from special grants to elaborate

weighting schemes, some of which are at least as progressive as those used by the federal government.

[19] Definitions of the resource control provisions are adapted from Barro, *op. cit.*

[20] This requirement has never been effectively operationalized and may be viewed largely as a goal statement.

[21] The *fiscal impact* of a grant is its net effect on total spending by the recipient for the aided function. A grant is stimulative if one dollar of federal aid translates into more than one dollar of total state spending on education from all sources (including the federal dollar). The grant is considered substitutive if it generates expenditures of less than one dollar. A complete list of the studies examined is presented in Vogel, *op. cit.*

[22] See Edward M. Gramlich, "Alternative Federal Policies for Stimulating State and Local Expenditures: A Comparison of Their Effects," *National Tax Journal*, Vol. XXI, No. 2, June 1968, pp. 119–129; and Stephen M. Barro," The Impact of Intergovernmental Aid on Public School Spending," Ph.D. dissertation, Stanford University, May 1974.

[23] We contend that, where states are noncompliant or in minimal compliance, this indicates divergence of state and federal priorities and that such states would be likely to shift funds away from federally prescribed uses under a block grant system.

[24] Although state expenditures reflect the availability of federal aid, gross shifts in levels of state spending for particular services and their relative growth rates offer some indication of state priorities.

[25] We argue that state expenditures from this relatively unconstrained federal aid are indicative of state spending priorities.

VIII

The Impact of Federal Grants Consolidation on the States

Lorraine M. McDonnell

It is almost a truism to point out that the great bulk of federal aid for public elementary and secondary education is channeled through states to local school districts, with the states playing a critical role in the funding process. Yet this arrangement has profound implications for how federal educational policies are implemented. Even when federal aid largely bypasses a state and goes directly to local districts (as in the case of ESEA Title VII), the state's political culture, its priorities, and its behavior strongly influence the manner and degree to which federal aims are achieved.

Consequently, any assessment of proposed alternatives to the present federal aid system must consider the potential state-level impact. Not only do we need to know whether a given alternative is acceptable to the states and whether it contributes to more effective program management, but also whether federal aims will still be maintained by the states under a revised federal funding strategy. This paper examines these issues as they relate to the proposed Domenici-Bellmon grants consolidation and focuses on two general questions:

1. What are the major political and administrative problems resulting from the current federal aid system?

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2. To what extent does Domenici-Bellmon (S. 1780) address these problems, and what is its potential impact on state administration of federal educational programs?

THE PRESENT FEDERAL AID SYSTEM

The Role of the States in its Implementation

Since the expansion of federal aid to education in the mid-1960's, the states have played a major role in the implementation of federal programs. However, the states have largely confined their efforts to areas mandated by federal regulations. For many of its programs, the federal government required as a condition of funding that the states act as its fiscal agent—allocating funds to local school districts and then monitoring their program operations.

To some extent, however, states have begun to move beyond this regulatory function to a more programmatic one. Many have developed a technical assistance capacity to help local districts with funding applications, program management, and problem-solving. Approximately one-third of the states now run some kind of program for disadvantaged students and many more sponsor programs for the handicapped. Not only have the states assumed an independent role by initiating their own categorical programs, but many have tried to use federal programs and funds to promote their own state goals. For example, a state may establish a number of priorities and then recommend or require that local school districts orient the content and targeting of their ESEA Title I or Title IV programs to further these aims. Our research and the work of others indicate that the balance between a regulatory orientation and a programmatic one as well as a state's choice merely to be a conduit for federal funds or to shape federal programs to further its own aims, largely depend on the following three factors:[1]

- ▶ the extent of state agreement with federal policy goals;
- ▶ the state's political culture, particularly the role of the governor and the legislature in the federal aid process and the strength of the state *vis à vis* local school districts; and
- ▶ the organization and capacity of the state department of education

These factors are important both in determining how current federal policies are implemented and in assessing the potential impact of consolidation on states and local school districts.

Agreement with Federal Goals

Our research indicated that most state and local officials not only acknowledge the legitimacy of federal aims, but also credit federal efforts on behalf of special student populations for prompting similar state action. These same officials felt that state and federal aims have become more similar over time. Such a belief implies that the states perceive federal aims as broadly consistent with their own, and relatively stable in direction. This seems to be true despite frequent statements to the effect that the federal government is always changing priorities. These objections usually refer more to changes in regulations or adoption of new priorities than to abandonment of prior ones.

However, at the same time that the states acknowledge their acceptance and agreement with federal aims, they express opposition to federal methods. This opposition goes beyond the oft-repeated charges made by state administrators of "excessive red tape," "meaningless regulations," and "federal attempts to control school district policy." They are critical of federal attempts to mandate specific learning strategies (e.g., bilingual classes as opposed to English as a second language classes) and specify the details of program implementation in areas like special education where the track record of many states is longer and more substantial than the federal government's. But it is clear that these disagreements center more on methods and processes than on goals.

State Political Culture

Another factor which determines the extent to which federal policy is changed or modified is the political culture of individual states. State political culture refers to the context within which policy is initiated and implemented. It includes popular attitudes toward local control and acceptance of higher levels of government, the political party system, the role of interest groups, and the strength of various other political institutions. For the present discussion, two aspects of political culture are worth briefly considering: the differing balance of control between state governments and local districts and the roles of the governor and the legislature in the federal aid process.

It is clear from the Rand research and the work of others that states can be placed along a continuum representing degrees of state-local control, and that the extent of their influence over local districts has major effects on the federal aid process. The degree of state-local control affects whether a state chooses merely to be a "check-writing" conduit for federal funds or whether it decides to use federal program money to promote its own priorities.

Weaker states tend simply to pass federal money along to local districts and to impose no restrictions or regulations other than those mandated by the federal government. Stronger states, on the other hand, may impose, within the limits of federal guidelines, additional regulations of their own.

The effect of such regulations is to bring the administration and targeting of federal aid closer to state priorities. For example, some states have chosen to impose requirements in addition to the federal ones on the use of ESEA Title I funds. The federal government has fairly strict fiscal requirements governing the use of Title I funds (comparability, etc.), but it has not, for the most part, mandated in detail how the money should be used. Some states, however, have done so on their own. For instance, states may require that local districts spend Title I money only at the elementary level and only in certain subject areas. Consequently, once the Title I money is targeted according to federal guidelines, the program becomes substantively a state one. During the course of our interviews at the local level, it became clear that many local officials are unable to distinguish between federal and state requirements and, therefore, see all Title I mandates as coming from the federal level. In such cases, state characteristics and priorities interact with a federal program so as to determine its substance at the local level.

This differing balance of control between states and local districts has direct implications for the proposed Domenici-Bellmon grants consolidation. Such a consolidation might have very little affect on local districts in states with a strong central government. The state could easily use the loosening of federal strings as an opportunity to impose more precise programmatic guidelines on local districts. At the same time, it would have the capacity to provide the technical assistance needed to implement these state-directed programs effectively. On the other hand, some districts in weaker states may find themselves cut adrift with little direction and assistance from a higher level of government.

A second way a state's political culture can affect the federal aid process is the role of the governor and legislature. Most of the state legislators and members of gubernatorial staffs with whom we spoke admitted that they knew very little about the federal aid process. To the extent that they are aware, it is, for the most part, a fiscal rather than a programmatic concern.Those states in which general government officials did show a programmatic interest in federal aid were ones with their own compensatory education programs.

There is evidence, however, that this situation is changing. In a number of states, the legislature has recently decided that it must appropriate all federal money coming into the state. State legislatures have traditionally approved federal money with a virtual rubber stamp. Now, by closely monitoring the flow of federal funds, these legislatures believe they can determine whether or not the state will be able to maintain commitments begun with federal money if federal funding is terminated. In only a few instances have state legislatures actually refused to appropriate money already granted to the state by the federal government. Nevertheless, the effect of this requirement has often been to delay by several months the implementation of new federal programs. This increased activism by state legislatures is another factor which could greatly influence the potential impact of consolidation.

The State Department of Education

In addition to those political culture variables, there are also a number of organizational variables which affect federal program implementation. Among them are the orientation and management capacity of state departments of education.

As a result of the additional resources and responsibilities that the advent of federal aid brought, state departments of education have greatly expanded over the last ten years.[2] During their time of greatest growth, most state departments developed organizational structures which matched that of the U.S. Office of Education and faithfully replicated, unit-for-unit, federal program categories. This type of organization resulted from a number of factors. Chief among them was the inability of state departments to engage in comprehensive planning and to see the overall impact of federal programs rather than the isolated effects of each individual program.

Not only were the structures similar, but state categorical aid directors often developed close working relationships with their federal counterparts. Although they were sometimes cast in an adversarial role with the federal government, these state directors became, in essence, federal allies. They usually had more in common with their federal counterparts than they did with state department colleagues who worked on different programs.

Most of our respondents felt that in the event of conflicting federal and state interests, a program director's loyalty would be to the state department. However, a department organized along categorical lines can present problems. We observed that state directors of federal programs (particularly in Title I) were the least likely to advocate modifications in the existing categorical system. Their suggestions for change were within fairly narrow parameters (e.g., alterations in the Orshanksy formula) and they resisted moves to integrate federal programs with state and local ones. Consequently, it seems that by institutionalizing a set of allies at the state level, the federal government may also have created a rigid administrative network which will be very difficult to change in the event of any major restructuring of federal aid. In fact, a number of states reported that one of the obstacles to their own reorganization—away from a categorical emphasis to an organization that transcends individual programs and gives assistance to local districts on an overall program basis—is the existing state department structure that closely parallels existing federal categorical program administration. A senior state official observed to us: "The vocational education or handicapped program administrators are a separate line of influence. . . . If they are dug in deeply and can resist integration attempts, they could stymie any proposed reform." Not only is it difficult to modify these categorical boundaries once they have been established within the state department of education, but it also may be harder to provide technical assistance to local districts when a state department is organized along these lines. The technical assistance will be specific to the mandates and operations of one categorical program and may not adequately address local problems and priorities which transcend individual programs. Again, the organizational style and structure of state departments of education are factors which have implications for any grants consolidation measure.

In sum, most states agree in essence with federal goals, although they disagree with the way the federal government expects some programs to be operated. At the same time, significant differences in a number of state and local factors mean that the content and form of federal programs vary greatly from state to state. In addition to these differences in state and local behavior over which the federal government has little control, there are a number of other factors which have made federal program implementation problematic. These are federal guidelines and general program directions which the states see as making federal aid administration more difficult. The next section discusses these state concerns.

State Problems with Federal Program Administration

At a general level, the states complain that, in their efforts to impose uniform standards and guarantee services to specific target populations, the federal government has been insensitive to state and local needs and to the political realities which constrain state departments of education. While acknowledging that many federal regulations are the result of prior state and local failings, most state respondents argue that the federal government bases its regulations on a "worst possible case" basis. They argue that because there is now sufficient agreement between the federal government and the states on goals, federal officials should merely specify policy aims and let educators focus on means.

The first specific complaint derived from this general issue of federal insensitivity is that the federal government has neglected to consider the relationship between its concern for specific target populations and the general educational programs of states and local school districts. In its efforts to serve disadvantaged, non-English speaking, and handicapped students, the federal government has often ignored the relationship between its programs and more general state concerns such as basic skills, early childhood, and general education. Many states want federal categorical programs better integrated into the general educational curriculum of school districts. In practice, this would mean designing federal programs at the local level to supplement existing curricula in such a way that they are additional and complementary to the basic program for the so-called "average" student.

A second complaint centers on federal unwillingness to coordinate its programs for specified target groups with comparable state-funded programs—some of which are longer-established and more substantially funded than federal interventions. Somewhat ironically, those states whose commitment to disadvantaged students is most consistent with federal values are also the ones most likely to oppose federal program regulations. At worst, federal regulations are seen as conflicting with state mandates. At best, it is difficult to coordinate federal program administration and the administration of state programs intended to help similar students. In states with their own programs for disadvantaged, handicapped, and bilingual students, the federal and state programs often operate as two separate programs at the school level, resulting in duplication of effort and unnecessary competition for overlapping student populations. Based on the belief that federal priorities might be diminished by the substitution of federal for local funds, Congress has traditionally not allowed local school districts to commingle funds. However, an argument can be made that a state has demonstrated its commitment to serving disadvantaged students by establishing its own compensatory programs. Consequently, many states with such programs would like to see the federal government allow the commingling of federal and state categorical funds and thus permit targeted students to receive the benefits of an integrated program.

A third complaint argues that the federal government has become too prescriptive in its mandates. Some states, particularly rural ones, maintain that federal regulations do not always fit local conditions. For example, the federal handicapped regulation which mandates the "least restrictive environment" for students may make sense in areas where specialists are available to provide special pull-out services for mainstreamed students; but in a number of rural states, it is very difficult to provide specialists to small, isolated areas. Consequently, in these states a centralized school for the handicapped is the only viable option, regardless of federal mandates.

A second variant of this complaint centers on the way federal policies are formulated. Many state and local respondents felt that the federal government lacks a comprehensive and consistent educational policy. They believe that federal programs have grown as a result of perceived client need and pressure on federal officials, and not from any comprehensive plan for educational reform. Because the federal government has no way to aggregate these various needs and demands effectively, it can only express its priorities by earmarking funds for specific target populations.

Yet, according to state and local officials, the federal government often behaves as if it has actually formulated an educational policy that is precise and internally consistent across all its various programs. In mandating specific learning strategies (e.g., bilingual as opposed to ESL classes for non-English-speaking students) the federal government portrays itself as having some type of integrated education program of which these specific learning strategies are well-connected parts. However, from the perspective of state and local officials, various federal programs may serve overlapping groups of students, often with contradictory program regulations (e.g., Title I appears to encourage the concentration of disadvantaged students, while desegregation requires that disadvantaged minority students be scattered). The states believe that this kind of situation can only result in poor state and local implementation of federal programs and, therefore, argue that the federal government should be less prescriptive in its program mandate.

In addition, because the states view the coherence of federal policy as illusory at best, they do not have much confidence in the stability of federal priorities over time. They believe that as different client needs are articulated and new pressures are brought to bear, federal priorities will shift. Therefore, state officials are often reluctant to commit considerable energy and resources to something they view as ephemeral.

The final problem the states face with federal programs is one that has probably received the most attention from critics—excessive federal paperwork demands. From the viewpoint of states and local school districts, excessive paperwork demands are of two kinds. The first is duplication in the reporting of basic student and district data from one program application to another. The second is the requirement of agencies such as OCR for compliance data. Because it is often collected in such a detailed form, the gathering of this information becomes a very time-consuming task for state departments and local districts. In addition, many state and local officials are not convinced that the federal government needs such detailed data for its monitoring purposes.

In summary, most state complaints about federal program administration focus on federal insensitivity to state and local conditions. The federal government has been unwilling to coordinate its programs with state and local ones, even when they are designed to serve the same students. In its effort to impose uniformity and ensure state and local accountability, the federal government has often become overly prescriptive to the detriment of effective program implementation. While it is clear that federal regulations are often a response to past mismanagement by states and local districts, there is no question that many of the states' complaints are legitimate.

DOMENICI-BELLMON AS AN ALTERNATIVE FEDERAL AID STRATEGY

The Impact on the States

Domenici-Bellmon addresses some of the most widespread problems states face in administering federal aid. It would allow for greater administrative simplification and some flexibility. Instead of the numerous applications now required for federal programs, states would file one plan, covering all programs included in the legislation. States would be required to see that local school districts also develop plans specifying their use of federal funds. Not only would the application process be simplified, but the longer time frame (plans required every four years with an annual update) would allow for better planning on the part of states and local districts.

In essence, Domenici-Bellmon provides for greater flexibility without sacrificing current federal priorities toward target populations. Unlike the earlier Ford block grant proposal which would have combined disadvantaged, handicapped, and bilingual funds into the same title, Domenici-Bellmon, by keeping these three groups separate, continues to "cut the federal aid pie" at the national level. Therefore, in comparison with the Ford proposal, S. 1780 reduces competition among client groups and maintains the current political balance at the state and local levels. Some of our respondents noted that to the extent various client groups had any influence, particularly at the national level, they would oppose any alternatives that combined their funds with those of another target population. Domenici-Bellmon, then, seems to avoid two main problems connected with most block grants—a lowered emphasis on federal priorities and a dilution of constituency support.

At the same time, S. 1780 provides for a state plan which coordinates the use of federal funds with state and local funds expended for similar purposes. Such a provision does not go as far as some states would like in terms of comprehensive planning for the use of all funds—whether for categorical programs or for general education. However, it does move the concept of the state plan away from its current status as a compliance document with little relationship to the day-to-day operations of either states or local school districts. In addition, the requirement that federal funds be coordinated with similar state and local ones probably means that the administration of these different programs could somehow be consolidated and the delivery of services to targeted students be improved.

In sum, Domenici-Bellmon alleviates some of the most significant problems facing states. It reduces the paperwork burden and coordinates federal, state, and local programs serving overlapping groups of students.

Yet it is clear that just as the administration of current programs is not uniform across the states, neither would be the impact of S. 1780. Since factors such as state political culture and the capacity of the state department of education affect the implementation of current federal programs, they would similarly influence the provisions of Domenici-Bellmon.

States which exert relatively strong control over local districts may impose new "strings" to replace those formerly attached by federal program mandates. For example, a state like California with an activist chief state school officer and legislature might heavily regulate the use of federal funds by local districts so as to make federal programs compatible with state-initiated reform efforts. If this were to happen, the states would gain greater flexibility from the federal government, but at the same time they would also gain additional influence over local districts. Consequently, local districts in states with a strong central administration probably would not have any more flexibility under grants consolidation than they have now.

On the other hand, districts in states with less active state leadership may find it difficult to enforce targeting mandates and build a coordinated program without sufficient assistance from the state. The likelihood that the uses of federal funds would become the object of collective bargaining and lobbying efforts will be much greater in these states and local districts. Clearly, these are examples of the probable impact of grants consolidation on states at either end of a continuum of state-local control. But it should be remembered that, depending on state and local factors, legislation like S. 1780 has the potential to replace present federal control with state control over local districts. In addition, with fewer strings attached to federal program funds, decisions about their use could very well be subject to political conflict among competing interests.

A second factor which will cause variability in the impact of S. 1780 is the organization and capacity of state departments of education. The present organization of state departments of education along categorical program lines could very well be a major obstacle to successful grants consolidation. Despite the fact that S. 1780 consolidates within target populations, it does cut across categorical program lines. Not only have many of these programs built up their own fiefdoms within state departments of education, but staff from the various programs have no experience working with each other. It will take time and the strong leadership of the chief state school officer to break down these categorical barriers. Program staff will have to be convinced that their own scope of authority will not be diminished by consolidation.

At the same time, consolidation should improve the technical assistance capacity of state departments of education. In preparing for consolidation and in building their own programs, local districts will need more than ever state assistance which transcends individual categorical programs. Since consolidation would necessitate less regulatory efforts on the part of state departments of education, ideally they should be able to transfer staff resources from monitoring to a technical assistance unit. But our experience observing organizational change indicates that such a move would be very difficult. Not only will they resist this change, but also staff whose primary function has been to monitor local districts could very well lack the skills needed to provide program development and problem-solving assistance to school districts.

Another factor to consider is how S. 1780 would change the role of state legislatures. As the bill is currently written, it clearly specifies that the state department of education shall be the recipient of federal funds; but the growing activism of state legislatures could very well mean that they will become involved in the process. Our interviews indicate that state legislators would be more likely than department of education officials to use federal aid to supplant state and local funding. Consequently, their active intervention in the allocation of funds could mean a decreased emphasis on federal priorities at the state and local levels. With the growth in fiscal limitation measures like Proposition 13, state legislatures will be hardpressed to find additional money for education, and may very well look to the consolidated federal funds as a readily available source. Also, if the effect of the fiscal limitation movement is for the state to assume more of the cost of public education (as it did in California), the legislature will increase its control over education and be in a better position to direct the allocation of consolidated federal program funds.

A final state factor which might affect the impact of the Domenici-Bellmon legislation is the role of client and professional interest groups. Although our research indicated that these groups have little impact at the state-level on federal aid allocations, we did find that where possible they try to influence program operations. Therefore, one of the effects of S. 1780 might be to stimulate more interest group activity within each target population. Because there will now be greater flexibility in program choice, groups will have a greater incentive to become involved in the implementation process. Such a change could broaden participation in program planning and improve the delivery of services to clients. At the same time, it will necessitate stronger leadership from state officials as well as local superintendents and school boards in order to mediate among what may be competing interests.

Obviously, there is no way to predict with great certainty whether the interaction between various state and local factors on the one hand, and the requirements of a consolidated federal aid program on the other hand, will have the effects discussed. Nevertheless, it is clear that the impact of Domenici-Bellmon will vary from state to state and will depend on factors over which the federal government has little or no control. Clearly, this is not a reason to abandon consideration of the Domenici-Bellmon legislation; the benefits of reduced paperwork and increased program flexibility and coordination probably outweigh the costs and are an improvement on the present system. Yet it is necessary to keep these potential problems in mind so as to avoid unrealistic expectations of program success.

USOE as an Obstacle

Ironically, the biggest obstacle to program success and one which may be serious enough to prevent consolidation from ever operating effectively is something over which the federal government does have control. The Domenici-Bellmon legislation assumes certain administrative changes can be made within the United States Office of Education. Under the bill's provisions, consolidated programs would be handled by a "separate identifiable administrative unit" within USOE. At the same time, existing units within USOE would continue to administer categorical programs for those states that choose not to consolidate. This structure would result in duplication of effort within USOE and would sometimes lead to different standards and regulations for consolidated states than for nonconsolidated ones. Even if such a duplication of effort could be avoided, this legislation assumes that USOE has the capacity to alter radically its current system of grants management. Many of our respondents were skeptical about that. They believed that existing bureaus and units in USOE would resist any reorganization that lessened their authority over program administration. In addition, the unit administering consolidated programs would need staff members from each of the present categorical programs. These people have little or no experience working with each other, and as one state official noted, "they don't even speak the same jargon." Consequently, Domenici-Bellmon as it is currently written could encounter serious implementation problems at the federal level.

The ESEA Title IV consolidation is a good example of how serious these problems can be. Although Title IV is a much less extensive consolidation than Domenici-Bellmon would be, USOE never consolidated program operations into a single administrative unit. Title IV is managed by two different offices with responsibility for the program shared by two associate commissioners. They both report to the same deputy commissioner, but there is no single authority at the operational level within USOE. In addition, a number of national-level interest groups (e.g., the American Library Association, the American Personnel and Guidance Association) support individual USOE bureaus in their efforts to maintain a separate organizational identity. Needless to say, this situation has made implementation of the consolidated program very difficult.

The states do not view Title IV as a consolidated program but rather as simply an amalgam of the prior categoricals. In many instances, this perception has meant that states have made little effort to consolidate either the goals or the administration of the program at their own level. While some of the organizational problems encountered by the Title IV program could be avoided with S. 1780 by making the legislative intent clearer than it was for the Title IV, there is no question that vested interests both inside and outside of USOE will resist any efforts to change the present categorical-based organization of the agency. In fact, USOE is probably more resistant to such a change than are most state departments of education. If S. 1780 were to have any chance of being implemented successfully, necessary alterations in the organizational structure of USOE would have to be detailed much more clearly than they are in the present legislation.

In summary, for most states the effect of Domenici-Bellmon would be to reduce paperwork and to provide a mechanism for better coordination across federal, state, and local programs. Beyond this, the impact would primarily depend on a number of state and local factors. Under some circumstances, grants consolidation could greatly increase the state's influence over local school districts. In other states, grants consolidation could lead to increased local flexibility and, in turn, more politicized decision-making. In addition to state and local factors, the impact of S. 1780 will greatly depend on the ability of USOE to reorganize in order to administer a consolidated program. Its past track record indicates that the prospects for such a change are unlikely.

The Merits of a Pilot Program

It has been proposed that grants consolidation be tried on a demonstration basis in six states over a five-year period. At first glance, such a pilot program appears to be a sensible approach. Domenici-Bellmon represents a radical change in the federal aid strategy and a pilot program would test its utility as well as give the program time to make needed adjustments before it is implemented in all states. However, on closer examination, it appears that a demonstration project may not be preferable to simply implementing the program on a voluntary basis in any interested state, as originally proposed in the legislation

There are two main drawbacks to the pilot program approach. First, those states which are the most likely to volunteer to participate in a demonstration project are also likely to be the best organized. These states will probably have already made significant steps toward consolidating their own programs and providing assistance to local districts across program categories. Not only will these states have a greater incentive to participate in the program, but they will also have the capacity to smooth out difficulties in initial program implementation. Therefore, it may be difficult to base national policy on the results of a demonstration, unless the demonstration includes a representative group of states.

A second problem is the time span for the pilot program. Obviously, it will take approximately five years to obtain valid information on program performance. Still, five years is a long time and the social and political context in which the program operates may change dramatically. One can easily imagine that new fiscal constraints, as well as altered political alignments and program priorities at the state-level, could greatly affect the content and organization of the program in five years. More importantly, a change in priorities and alignments at the national level could very well mean that, at the end of five years, the kinds of concerns and constituency support which allowed the pilot program to be implemented in the first place would no longer be present to enact the actual program. Again, the federal government would be left with a lot of interesting data and another social experiment that did not quite get off the ground.

If sufficient support is generated to enact S. 1780, a better strategy would be to implement it on a widespread basis while support for and commitment to the program are high. In addition, there should be broad-based participation in modifying the legislation as it is currently written and in the subsequent drafting of program regulations. While there are benefits to be derived from a pilot program approach, the effort does not seem worth the costs involved.

CONCLUSIONS

There are several points that policy-makers need to remember in considering the impact of Domenici-Bellmon on the states. First, the success of such legislation is largely dependent on the ability of USOE to reorganize itself in such a way as to make administration of a consolidated program possible. The present organizational structure of USOE, as well as its own resistance, make such a change extremely difficult. It is not impossible if the legislative intent in this area is definite and more clearly specified than it is in the present version of S. 1780. Also, there will probably be a greater chance for this reorganization if it accompanies a major change in the agency like the creation of a new department of education.

Second, S. 1780 does address some of the more pressing problems faced by most states. It will reduce paperwork demands and, more importantly, it will provide for coordination among federal, state, and local programs serving overlapping groups of students. Yet, at the same time, it is important to remember that Domenici-Bellmon will not have a uniform impact across the states. Just as the present federal aid system is largely dependent on state and local factors, so will be Domenici-Bellmon. Local districts with strong state governments may find themselves with just as many constraints as ever because the state will impose extensive regulations in its attempt to use federal funding to further its own aims. On the other hand, districts in weaker states may face a lack of adequate technical assistance and a very politicized local decision-making process. Grants consolidation may also strengthen the role of state legislatures and provide them with additional leverage as they respond to the growing fiscal crisis.

Our research indicates that because states and local school districts generally accept federal priorities as legitimate, and because Domenici-Bellmon guarantees the integrity of individual target groups, S. 1780 would not result in any significant dilution of federal aims at either the state or local levels. In areas where the federal government has been overly prescriptive and has mandated methods as well as the populations to be served, Domenici-Bellmon will probably mean that states and local districts will reject these methods and develop programs more suitable to their own particular needs. From what we know about successful program implementation (e.g., the findings of the Rand Change Agent study), such a change should be a significant improvement on the present system.

After considering the merits of a pilot program, it appears that there are two major drawbacks to such an approach. First, states that are the most likely to volunteer for it are also likely to be the best-organized and best-equipped to deal with problems in initial program implementation. Therefore, it would be difficult to base national policy on the results of such a demonstration unless a representative group of states could be included. Second, state and national priorities as well as the political alignments which were responsible for establishing the pilot program could very well change over the five-year course of the demonstration. Consequently, the actual program could not be enacted and a lot of interesting but not terribly useful data would have been collected. If there is sufficient support to pass S. 1780, it should probably be implemented on a widespread basis while support for and commitment to it are high.

The impact of Domenici-Bellmon on the states should be positive. However, its effect will vary greatly from state to state and factors beyond the control of the federal government may very well alter program intent. These points must be kept in mind if the supporters of this legislation are to avoid unrealistic expectations about its success.

Footnotes

[1] Much of the information discussed in this paper is based on research that a Rand colleague, John Pincus, and I did in 1976 and 1977 for the Office of the Assistant Secretary for Education, DHEW. The study examined the major political and bureaucratic problems resulting from federal aid to education and analyzed the extent to which several proposed alternatives addressed these problems. In the course of the study, 20 federal respondents and 104 officials in eight states and 12 local school districts were interviewed. Other ideas reported here are based on preliminary impressions gained while working on a study of the ESEA Title IV consolidation which Rand is currently conducting for the U.S. Office of Education. The conclusions, however, are the author's own and do not necessarily reflect those of Rand colleagues or federal agency clients.

[2] As a result of administrative money for various categorical programs and other funding, the federal government now provides between 30 and 80 percent of state education agency budgets. In many states, the advent of federal funding meant an extraordinary increase in the size of the agency—for example, the Utah department of education grew by more than 400 percent.

IX

The Impact of Grants Consolidation on Local Schools

I. Carl Candoli

Most research on grants consolidation approaches the issue from a federal or state perspective. Little, if any attention is given to the concerns and perspectives of the Local Education Agency (LEA). A recent ACIR study, for example, presented a series of recommendations concerning block grants with little apparent attention given to the concerns, needs, capacity, and perceptions of the local recipients of the grant.[1] Similarly, preliminary research on grants consolidation by Rand in 1977 was somewhat skewed toward the perspective of federal and state education agencies.[2]

By focusing on state and federal levels, researchers, as well as state and federal officials, fail to understand or to take into account, the particular needs, attitudes and perspectives of the LEAs and their personnel. For example:

1. It is difficult for even the most objective researcher without LEA experience to understand clearly the particular and sometimes peculiar perceptions of the LEA educator.
2. The nuances and pressures of day-to-day operations in the LEA exert tremendous influence on LEA personnel.

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3. Certain state and federal priorities are not highly ranked by LEA personnel.
4. The relationship and rapport between LEA personnel and SEA and USOE personnel indicate tolerance, at best, and often hostility.
5. The quality and the competence of LEA personnel are often overlooked and disregarded by SEA and USOE people.
6. The macroview presented by USOE and SEA is completely foreign to the majority of LEA persons who must concentrate on the microview of the educational process.
7. Conditions are sufficiently different among LEAs that the rigidity of state and federal regulations inhibits program development.
8. State and federal educators are generally committed to highly centralized organizations while pressure for decentralization is increasing at the LEA level.
9. The more removed one is from the delivery of educational services, i.e., the classroom, the more esoteric and philosophical the discourse becomes.
10. The vast differences among LEAs and the implications for policy are not well understood or even appreciated by SEA and USOE personnel.

This paper discusses, from the viewpoint of the LEAs, federal aid in general and grants consolidation in particular. To develop an understanding of the complexity of the LEAs, rural, suburban and urban school districts are analyzed in terms of their student population, cultural setting, staff capacity, attitudes toward federal aid and changing needs. USOE and SEA goals and objectives are examined from the viewpoint of the LEAs. An attempt is made to identify the points of agreement and disagreement among the levels of government involved in education. Finally, the concerns and hopes of the LEAs with regard to grants consolidation are discussed.

THE LOCAL EDUCATIONAL AGENCY

The evolution of the American system of education has been unique and vastly different from the development of educational systems in most other nations. The main reason for this is the absence of reference to education in the United States Constitution. This omission places responsibility for education on the various states. Whereas most countries have developed a national school system, the United States has nearly 16,000 relatively autonomous school districts ranging in size from a mere handful of students to the 1,000,000 pupil enrollment in New York City schools. As a result, the capacity of LEA's to develop and deliver programs varies substantially across the United States.

While legally the purview of the states, the responsibility for education has historically been delegated to the local community. Only Hawaii with its statewide LEA and the few states (Florida, Nevada, Maryland, Louisiana, and West Virginia) with county organizations deviate from the pattern of local control. The early Massachusetts law requiring common schools and permitting the taxation of property for support of the common schools promoted the development of LEAs, as did the agrarian nature of early America and the relatively few, simple educational needs of the society. Early requirements for education included basic reading, writing skills, and simple computational knowledge. Advanced education was restricted to persons (men) from relatively wealthy families who were to become ministers, lawyers, doctors, and statesmen. The interests of the country were served well by this arrangement. Little need existed to develop a state or national school system since basic subjects did not vary from one location to another.

As the industrial revolution unfolded, educational requirements changed. The age of specialization emerged placing a variety of demands on the schools. Persons qualified to use a variety of production techniques and processes were needed. The need for professionally trained persons increased geometrically as new knowlege was discovered.

The era of mass production hastened the urbanization of the country leading to the consolidation of common schools and the development of large, complex, diverse school systems. At the same time, the westward movement and the subsequent evolution of the huge mechanized agricultural domains of the plains forced the development of many small school systems in agrarian states. Thus, today, it is not unusual for a state to have several urban school districts whose clientele are culturally, ethnically, racially, and socio-economically very diverse and whose educational needs are equally so. The same state may also have several hundred suburban and rural districts whose populations tend toward homogeneity with some relatively common educational needs.

While the number of LEAs has declined markedly in past decades, there are still nearly 16,000 LEAs. Of these, approximately 180 LEAs have enrollments in excess of 25,000 students, with 2,900 more having 3,000 to 24,999 students. The vast majority (8,870) enroll 300 to 2,999 students with the balance serving fewer than 300 students. The problems of needs assessment, program development and delivery, and school-system organization differ widely depending not only on size but also in terms of the rural-urban spectrum. Consequently, LEAs differ in their responses to federal aid programs.

The Rural LEA

Typically, the rural LEA is a two-to-six unit (building) district with a central officer, the superintendent, who serves as business manager, purchasing agent, clerk of the board of education, head of all instructional and non-instructional services and chief planner for the system. Each building is directed by a principal who performs a variety of support services. Students are often from farm or farm-related backgrounds.

The tendency of these districts is to ignore federal aid except for special purpose funds which meet the needs of students, i.e., migrant, bilingual, vocational education, NDEA, etc. In many rural areas, resistance to change is very high. Any threat to established, traditional education is suspect and avoided. The dominant attitudes of parents tend toward: "What was good enough for me is good enough for my children." There is also evidence of strong citizen and board of education resistance to federal aid because of philosophical views and fear of federal control.

Perhaps the strongest and most valid objection voiced by the rural educator to the many categoricals, however, is the requirement of completing grant applications demanding extensive program descriptions and qualifying data. The complexity and length of the forms and rigid time parameters make the completion and submission of proposals by a one-person central office staff almost impossible.

In addition, rather rigid requirements for qualification and compliance discourage many administrators who choose not to participate. Significant numbers of children are consequently denied valuable programs and resources.

Another problem for the limited staff of rural LEAs is the issue of supplanting versus supplementing. Limited enrollment coupled with an even smaller number of qualifying pupils make the provision of additional staff impractical. This situation encouraged the expenditure of categorical funds on materials and equipment.

Recent observations suggest that the relative isolation of many rural LEAs permits them to disregard state and federal mandates. Isolation, strong local mores, and value systems that ignore today's technological society apparently cause many rural LEAs to resist change and to continue the *status quo*.

However, with the dramatic improvement in electronic communication many rural LEAs can provide innovative educational options for students.

While still opposing direct federal assistance, many LEAs accept the federal resources that flow through the states, especially in vocational educational and agriculture. Increasingly, consolidations of one-room and one-building LEAs into multi-unit systems and cooperative multi-LEA efforts are broadening the scope and the depth of the curriculum. As such coalitions emerge, a specialized staff is developed, and categorical grant applications are submitted.

The Suburban LEA

Both in numbers of students and numbers of LEAs, suburban schools are becoming the power brokers of contemporary America. The dramatic population explosion of the post World War II era combined with the American dream of a single-family home with a lawn and garden led to the growth of suburbs around most middle sized and large cities.

Paralleling the movement of people was the movement of business. Stores followed their clientele. Business and industry wanted to be away from the cities. Federal policies including funds for home loans, sewers, water systems, highways and incentives for business to move added to the decline of urban American and the development of the enormous urban-suburban sprawl of today.

As suburbs grew, suburban LEAs developed to serve the needs of growing student populations. Often rigidly segregated according to income, social status, and race, by the mid-1960's many suburbs were havens for white, middle class Americans fleeing the cities which were increasingly inhabited by poor and minority people.

As a result, suburban schools generally serve a relatively homogeneous school population who are upwardly mobile and value education. Until fairly recently these LEAs placed the greatest priority on preparing for post high-school education. However, the technological explosion with the multitude of vocational options it created, coupled with the general overcrowding of professional fields, spurred the development of a much broader spectrum of curricular efforts. The increased federal and state emphasis on vocational education and the recognition in many states of career education have boosted the diversification of suburban educational programs.

In addition, passage of the Civil Rights Act of 1964, along with an increase in court activity pertaining to desegregation and equal educational opportunity, caused a slight crack in previously white suburban enclaves. School superintendents became aware of diversity and familiar with varying educational needs. The observation can be made that while no rapid movement of affluent minorities to the suburbs occurred, the law now allows such a shift. This change is a marked departure from the very restrictive housing convenants found in many suburbs prior to 1964.

While not qualifying for many of the categorical grants because of their economic status, suburban LEAs have become most adept at competitive grantsmanship. Communities actively solicit federal pass-through monies for vocational education, employment training, urban renewal, water and sewage, law enforcement, etc. Many suburban LEAs have established offices whose primary task is to attract state and federal funds. Because political power follows population shifts, these LEAs are involved in ongoing efforts to encourage extended suburban participation in such programs as the Elementary and Secondary Education Act, the Vocational Education Act, and other categoricals. In addition, the suburban LEAs are sophisticated in the politics of education and have learned to muster pressure for favorable legislation.

The tremendous effect the decrease in student enrollment has had on suburban LEAs, accustomed to a constant growth pattern during the 1950's and 1960's, has gone almost unnoticed. Although new houses were constructed, the move from a multi-child family to a childless or a one-child family dramatically curtailed enrollments. Unit costs for elementary and secondary education rose very quickly. This, combined with inflation, led to the local tax revolution.

The prospect of continued changes in the racial composition of clientele, the continued loss of pupils, a change in the socio-economic levels and educational needs of students, increased competition for tax dollars, and resistance to tax increases forced an LEA reassessment of attitudes toward state and federal monies.

The strong commitment to education that is so evident in these LEAs manifests itself in the many efforts being mounted to expand participation in state and federal programs. While no strong philosophical commitment to federal assistance is evident, the harsh fiscal reality associated with enrollment decline and an awareness of the growing political power found in suburban LEAs cause the writer to predict an increased participation in and a demand for expansion of federal subsidies to these LEAs. Survival is a most powerful motivating force, and the suburban LEAs have the sophistication to utilize their talents and instincts effectively.

The Urban LEA

The pattern of urban America seems almost cyclical, with cycles having a 40 to 60-year life. The histories of United States' cities and urban LEAs are rich with responses to the human and educational needs of wave after wave of new arrivals to the cities. The urban LEAs were the primary mechanism for upward mobility for generation after generation of new-comers to this land. Any examination of success patterns will show that the urban LEAs served the country well.

As the complex, multipurpose, urban LEAs formed, they were called upon to prepare students for higher education, for the professions, and for government, as well as to provide a trained pool of labor to enable the factory system to produce the fantastic flow of goods and materials that made the United States the most productive nation the world has ever known. More recently, as technology has developed and automation has made many jobs obsolete, the urban LEAs have again endeavored to provide training for the multitude of service-related areas that are emerging as potential job opportunities for citizens.

How is this present cycle different from the others? First, the new arrivals in the cities are generally not immigrants from foreign countries; they are migrants from rural America searching for sustenance and work. Second, these new or recent arrivals are not European; they are minority Americans, mostly blacks but also browns, Native Americans, and Orientals. Visible by virtue of their color, they are just emerging from centuries of systematic and deliberate second-class citizenship. After serious confrontations in the 1960's and 1970's, the urban LEAs are beginning to understand the types of educational needs of this new wave of clients.

Significantly, in our third century as a nation, we are, in the opinion of the wirter, finally moving toward the elimination of illiteracy. While schools, generally, and urban schools, particularly, are much maligned for being ineffective and for failing, the schools in reality are serving the total population for the first time in history. Persons who traditionally have been excluded from the normal educational process because of color, physical handicap, or poverty are now in the mainstream of the LEA.

However, old problems remain and new problems appear. Technology has eliminated the need for untrained, unskilled workers. Marginal farms cultivated by hand are virtually gone. Sub-marginal jobs for millions of unskilled persons are no longer available. The schools must provide educational programs to enable their present clients to survive.

The largest concentration of persons with the most severe education need is found in the urban centers. Complicating the educational problem is the fact that these citizens also manifest great and related needs in health, economics, psychological conditions, and other important areas of human existence. Urban LEAs find themselves supplying a broad panorama of services before the educational process can begin. This situation places a great strain on the resources of LEAs. When other economic realities are included—inflation, collective bargaining, diverse program needs, high-cost buildings and a sharp drop in the tax base occurs as business, industry, and commerce move to the suburbs —the plight of the urban LEAs becomes major. Fortunately, these severe urban LEA needs coincided with national priorities, and the 1960's saw the inception of a variety of categorical aid programs aimed at coping with particular and unique student needs. The federal grant system of aid to education has been a major factor in increasing the ability of urban districts to respond to the severe educational needs of their students.

Because of their generally large size, urban LEAs have been able to allocate staff exclusively to the state- and federal-grant process and have developed and submitted sophisticated grant proposals. The new language of "grantsmanship" is familiar to many urban LEA personnel; as a result, the flow of federal dollars has been maintained.

During the past decade an awareness of the part played by urban LEAs has evolved. Appreciation for and understanding of the tremendous diversity of the urban school system has become more than a catch phrase. Programs are emerging to meet the variety of student needs, and most urban LEAs have invested heavily in research and planning activities, as well as evaluation. While the task is still almost overwhelming, an air of confidence, belief in the system, and commitment is emerging in the late 1970's that suggests the corner has been turned. In the writer's view, this suggests that the cycle of serving the needs of the "new wave" to the cities has bottomed out and is on the upward swing.

LEAs AND STATE EDUCATION AGENCIES

Emerging in the mid-19th century, State Education Agencies (SEAs) traditionally performed such routine activities as certification of teachers, verification of enrollments, program approval, consultation on subject matter, etc. Although legally responsible, most SEAs only provided services to LEAs and acted in advisory capacities. In addition, the SEAs administered those programs and schools for which they were directly responsible, i.e., schools for handicapped (blind and deaf), penal schools, etc.

The age of accountability, however, has enabled, indeed forced, SEAs to become much more active in initiating programs. Largely through federal resources that have provided training and development activities for the SEA staff, most SEAs now have planning, research, and evaluation capacity. The assessment movement is sweeping the country, and glaring LEA and SEA deficiencies are being highlighted. The SEAs have moved rapidly to address needs, particularly in basic skills, as they have been identified.

As SEAs continue to exert their legally mandated power, LEAs are forced into subservience. Decisions once the prerogative of LEAs are severely limited by SEAs through the promulgation of rules and regulations. Increasingly, SEAs are developing minimal standards for programs, mandating curriculum, and evaluating students. With state aid a significant portion of local budgets, control can be maintained by the threat of withdrawal of funds.

This recent activity is a marked departure from the monitoring, supporting, and advising role that SEAs previously filled. The shift in SEA posture has not been without some trauma, particularly for large urban LEAs which have staff capacity to plan, develop, and evaluate programs. Often the LEA and the SEA staff are at odds on evaluation design, program delivery methods, needs assessment and materials selection. The LEAs respond to local nuances while the SEAs attempt to set rules and regulations to govern the entire state. LEA personnel feel that the SEA staff is not attuned to local needs and that the jargon utilized is merely a cover for lack of knowledge.

As the initiator of programs, SEAs have made major responses possible in the areas of equal educational opportunity, vocational and career education, and education of the handicapped. The close relationship between USOE and SEAs, supported by federal dollars and resources, has fostered program development in these areas. The basic skills areas that have received extensive federal support are SEAs prime targets for program development. Evaluation efforts seem to focus on reading and mathematics leading to programs that focus on the same areas. However, SEAs do not give an extensive boost to local needs in areas not meeting state and federal priorities. For example, while many urban LEAs have identified arts and the humanities as real needs, little SEA effort other than normal consultative services is expended in these areas.

Because of the growth in the capacity of SEAs to plan and evaluate, it seems natural to suggest that SEAs develop those activities as support services for LEAs. To permit optimum use of SEA resources, a planning process might be appropriate that involves the SEA (1) as a monitoring agency to districts with planning and evaluation capacities, and (2) as a service to smaller LEA units needing such services.

LEAs AND THE UNITED STATES OFFICE OF EDUCATION

The United States Office of Education (USOE) is a vague, rather amorphous mass to a large majority of LEA personnel. They know it is out there somewhere because they read about it, curse the many forms they must fill out for it, and are disturbed by the number of employees who call themselves educators but have no contact with schools and students. USOE is much closer to SEAs than LEAs and it serves as a model for certain SEA behavior.

As a result of congressional activity providing resources to meet particular educational needs, USOE and SEAs have emerged as powerful agencies. Problems arise when the intent of Congress is interpreted in agency regulations. Many LEA personnel believe that USOE has become a self-perpetuating, self-serving, nonresponsive agency whose sole goal is survival. This feeling is reinforced by actions sometimes taken unilaterally and high handedly, by lack of contact with and an understanding of the LEA, and by the complex forms sent to the LEAs.

Lost is the fact that USOE has thousands of committed, dedicated, very able employees who extend themselves to serve SEAs and LEAs. Also lost is the fact that USOE personnel are drawn from the ranks of successful LEA employees. Nevertheless, lack of involvement in the promulgation of regulations by SEA and LEA personnel, as well as the suspicion that those directly involved in formulating regulations are sometimes not experienced in LEA matters, makes the entire USOE of questionable value to the LEAs. Physical distance and the degree of political sophistication further separate LEAs from USOE.

Even more compelling is the incompatibility that sometimes exists between federal and LEA goals. While federal goals are predicated on matters involving the national interest, LEAs sometimes have difficulty dealing with such a macroview. As an example, the goal of equal educational opportunity with its emphasis on low-income families and the provision of services to their children has little meaning to non-urban LEAs that serve only affluent families.

The often contradictory guidelines among categorical programs also serve to alienate the LEA personnel from USOE. The writer experienced the frustration that occurs when the urban school system attempts to implement desegregation orders as required by law. The movement of Elementary and Secondary Education Act, Title I youngsters to another school for desegregation purposes sometimes eliminates the school from Title I designation and resources are lost to youngsters. This rigidity and lack of coordination and cooperation among USOE departments raises the blood pressure of LEA personnel.

Summary

If the above descriptions of the various educational agencies are at all valid, the LEAs of the United States are in a position of supporting the move toward grants consolidation which would mean great expansion of flexibility and a sharp reduction in conflicting regulations. The SEA and USOE personnel might, for selfish reasons, oppose consolidation, for it implies fewer programs, fewer regulations, and therefore, fewer persons needed by those agencies. At any rate, the efforts resulting from categorical assistance should be changed by consolidation. Many issues must be resolved before proceeding.

Footnotes

[1] Advisory Commission on Intergovernmental Relations, *Block Grants: A Comparative Analysis*, Washington, D.C.: U.S. Government Printing Office, 1977.

[2] Lorraine McDonnell and John Pincus, "Federal Aid to Education: An Intergovernmental Perspective," Rand/WN-9959-HEW, Santa Monica, Cal.: The Rand Corporation, 1977.

PART IV

APPENDIX

United States of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 95th CONGRESS, SECOND SESSION

Vol. 124 WASHINGTON, WEDNESDAY, AUGUST 23, 1978 *No. 134*

UP AMENDMENT NO. 1720

(Purpose: To amend the Elementary and Secondary Education Act of 1965 in order to add a new Title XIII to demonstrate the feasibility of reorganizing, simplifying, and consolidating certain elementary and secondary education programs in order to provide improved State and local administration of the programs, and for other purposes)

Mr. DOMENICI. Mr. President, I send to the desk an unprinted amendment.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from New Mexico (Mr. DOMENICI) proposed an unprinted amendment numbered 1720.

Mr. DOMENICI. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

TITLE XIII—REORGANIZATION

"SHORT TITLE

SEC. 2. This title may be cited as the 'Reorganization and Consolidation Demonstration Project.'

STATEMENT OF FINDINGS AND POLICY

SEC. 1301. (a) The need for simplification and consolidation of Federal education programs has been detailed by the education community in general, particularly State and local officials and school teachers and administrators. The number and complexity of Federal education laws has seriously undermined State and local ability to implement Federal purposes. The complexity of Federal law has led therefore to an inefficient and sometimes ineffective Federal role. Educators have called for a public policy which eliminates the unnecessary burden of program fragmentation and excessive administrative requirements which cause program inefficiency and wasted time, effort, and funds that could be used to enhance program effectiveness.

(b) Congress finds that Federal education policy would be served by a five-year demonstration project to test the feasibility and assess the utility of program reorganization and consolidation to—

(1) promote program efficiency;

(2) reduce paperwork;

(3) reduce the amount of time expended by teachers and other educational personnel in administering Federal education programs;

(4) increase State and local flexibility while maintaining certain Federal purposes;

(5) coordinate Federal programs with each other and with State and local programs in order to increase the effectiveness of the education program in meeting the needs of the nation's school children.

STATEMENT OF PURPOSE

SEC. 1202. (a) It is the purpose of this Title to demonstrate the feasibility of consolidating and reorganizing cetrain programs of assistance to State and local educational agencies for elementary, secondary, vocational, and adult education into three broad categories:

(1) Special educational needs programs including programs authorized on the date of enactment of this Act—

(A) under subpart 1 of part A of title I and part B of title I of the Elementary and Secondary Education Act of 1965, those portions of subpart 2 of part A of the Elementary and Secondary Education Act of 1965 as relates to neglected and delinquent children and migratory children.

(B) under part B of the Education of the Handicapped Act as amended by Public Law 94–142, section 121 of the Elementary and Secondary Education Act of 1965, and under section 403 (a) (8) (B) of the Elementary and Secondary Education Act of 1965;

(C) under title VII of the Elementary and Secondary Education Act of 1965, section 708(c) of the Emergency School Aid Act, and subpart 3 of part B of the Vocational Education Act of 1963.

(2) Vocational education programs including programs authorized on the date of enactment of this Act—

(A) under the Vocational Education Act of 1963 and section 811 of the Elementary and Secondary Education Act of 1965 relating to consumer education;

(B) the Adult Education Act;

(C) a bonus grant for projects jointly sponsored by prime sponsors under the Comprehensive Employment and Training Act of 1973 and agencies conducting elementary and secondary, adult or vocational education.

(3) Special emphasis projects including programs authorized on the date of enactment of this Act under—

(A) parts B and C of title IV of the Elementary and Secondary Education Act of 1965;

(b) section 403 of the Education Amendments of 1974 relating to metric education, section 404 of the Education Amendments of 1974 relating to gifted and talented children, section 406 of the Education Amendments of 1974 relating to career education, section 408 of the Education Amendments of 1974 relating to women's education equity, section 409 of the Education Amendments of 1974 relating to the Teacher Corps, title VII of the Education Amendments of 1974 relating to the national reading improvement program (except sections 721 and 722).

(b) It is the further purpose of this Act to demonstrate the desirability of greater flexibility in the use of Federal educational assistance and to bring about a simplification of the categorical requirements contained in the provisions of law authorizing each such program.

STATE SELECTION

SEC. 1203. (a) The Commissioner shall select states for participation in the demonstration authorized by this title according to criteria and procedures set forth in subsection (b) of this section.

(b) For purposes of demonstrating the feasibility of the reorganization and consolidation authorized by this title, the Commissioner shall:

(1) develop procedures under which States may apply for consolidated funding;

(2) assure that States selected will represent various demographic characteristics such as size and educational governance;

(3) develop selection procedures, regulations, and select demonstration States no later than June 30, 1979;

(4) approve the application of not more than six States to provide a waiver of current requirements in order to implement the described demonstration;

(5) States and the associated local education agencies selected for the demonstration shall conduct planning for operation under consolidated funding for a period ending June 30, 1980.

(6) It is the intent of Congress that the demonstration of consolidation and simplification authorized by this title be completed by June 30, 1983.

(7) It is the further intent of Congress that if the consolidation effort initiated by this title is not adopted in whole or in part when Congress reauthorizes this Act beyond the termination date set by this title, that the Commissioner will establish orderly procedures for the termination of the program for States participating in the demonstration and the phase-in of regular administrative procedures.

APPLICABILITY TO EXISTING LAW

SEC. 1204. Except as provided in this title, no other provision of law authorizing a program consolidated under this title shall apply to the provision of financial assistance to a State selected for this demonstration which has a comprehensive State plan in compliance with the provisions of this title, with respect to the programs covered by that plan. All administrative regulations shall be consistent with the provisions of this Act for States participating in the demonstration.

PART A—SPECIAL NEEDS PROGRAMS

Subpart 1—Educationally Deprived Children

CHILDREN FROM LOW-INCOME FAMILIES

SEC. 1211. Each State selected to participate in the consolidation program authorized by this Act shall within the limits of available Federal funds, in the comprehensive State plan required under section 1246, provide for a program designed to—

(1) address the special educational needs of educationally deprived children in local educational agencies having high concentrations of children from low-income families, and through such local education agencies arrange to meet the needs of such children in private non-profit schools on an equitable basis unless prohibited by law;

(2) address the special educational needs of neglected and delinquent children in State operated programs.

EDUCATION PROGRAMS FOR MIGRATORY CHILDREN

SEC. 1212. Each State desiring to participate in the consolidation program authorized by this Act shall, in the comprehensive State plan required under section 1246, set forth within the limits of available Federal funds a program designed to address the special educational needs of migratory children of migratory agricultural workers and of migratory fishermen, including the preschool educational needs of such migratory children.

Subpart 2—Handicapped Children

EDUCATION PROGRAMS FOR HANDICAPPED CHILDREN

SEC. 1213. Each State selected to participate in the consolidation program authorized by this title and eligible for this subpart shall, in the comprehensive State plan required under section 1246, set forth a program designed to—

(1) provide special education and related services for handicapped children;

(2) meet the special educational needs of handicapped children for which the State agency is responsible;

(3) provide for curriculum improvements through special or innovative programs and projects for the education of handicapped children as authorized under part C of title IV of the Elementary and Secondary Education Act of 1965, and

(4) establish standards for educational programs for handicapped students.

APPLICABILITY; STATE ASSURANCES

SEC. 1214. (a) Each State selected to participate in the consolidation program authorized by this title may, in the comprehensive State plan required under section 1246, set forth a program providing for special education and related services for handicapped children aged three to five.

(b) Each State selected to participate in the consolidation programs authorized by this title and eligible for this subpart shall assure that—

(1) the State has in effect a policy that assures all handicapped children the right to a free appropriate education. The State plan shall—

(A) assure that services are provided to all such children;

(B) contain a description of the kind and number of facilities, personnel, and services necessary throughout the State to provide services;

(C) provide for continued efforts to identify, locate, and evaluate all handicapped children who are in need of services in order to maintain full service; and

(D) the State will comply with the provisions of section 615 of the Education of the Handicapped Act, relating to procedural safeguards or shall develop a similar procedure designed to protect the rights of children and their parents and guardians.

Subpart 3—Children with Limited English-Speaking Ability

BILINGUAL EDUCATION PROGRAMS

SEC. 1215. Each State selected to participate in the consolidation program authorized by this Title shall, in the comprehensive State plan required under section 1246, set forth—

(1) a program of instruction designed for children of limited-English language proficiency in elementary and secondary schools;

(2) a program designed to meet the needs of children who are from an environment in which the dominant language is other than English, and who because of language barriers and cultural difference, do not have equality of educational opportunity; and

(3) a program of instruction designed for adults of limited English language proficiency carried out in coordination with Adult Education Programs and Vocational Education programs;

(4) bilingual vocational training programs for persons of limited English language proficiency who—

(A) have completed or left elementary or secondary school and who are available for education by a postsecondary educational institution;

(B) have already entered the labor market and who desire or need training or retraining to achieve year-round employment, adjust to changing employment opportunities, expand their range of skills, or advance in employment; and

(5) a program of training to prepare instructors, aides, or other ancillary personnel for programs designed for persons of limited English proficiency.

Subpart 4—Distribution of Funds to Local Educational Agencies

DISTRIBUTION TO LOCAL EDUCATIONAL AGENCIES

SEC. 1217. (a) From the funds provided to a State attributable to section 1211 of this title for any fiscal year, the State shall allocate to each local educational agency in that State based on the number of students from low-income families at least the amount which each local educational agency would have received had the distribution of such funds been made under the provisions of law authorizing part A of title I of the Elementary and Secondary Education Act of 1965.

(b) From the funds provided to a State under section 1212 of this title for any fiscal year, the State shall allocate to local educational agencies having migrant education programs funds on an equitable basis taking into account the number of students eligible for such programs. A State may serve such students directly.

(c) From funds provided to a State attributable to section 1213 of this title (relating to education programs for handicapped children) for any fiscal year, the State shall allocate to each local educational agency and intermediate educational unit in that State an amount not less than the amount which each such local educational agency and intermediate educational unit would have received had the distribution of such funds been made under the provisions of law authorizing the program consolidated in that section.

(d) From the funds provided to a State attributable to section 1215 of this title (relating to bilingual education programs) for any fiscal year, the State shall distribute such amount on either a formula or a project grant basis taking into consideration the number and needs of students in that State who have limited English language proficiency.

TARGETING OF FUNDS

SEC. 1218 (a). All funds allocated to local education agencies under section 1217(a) shall be used to provide services to educationally deprived children.

(b) All funds allocated to local education agencies under Section 1217(b) shall be used to provide services to migrant children.

(c) All funds allocated to local education agencies under Section 1217(c) shall be used to provide services to handicapped children. (and)

(d) All funds allocated to local education agencies under section 1217(d) shall be used to provide services to children with limited English language proficiency.

PART B—VOCATIONAL, ADULT AND CONTINUING EDUCATION AND EMPLOYMENT TRAINING

Subpart 1—Vocational Education

STATEMENT OF PURPOSE

SEC. 1221. It is the purpose of this part to assist States in improving planning in the use of all resources available to them for vocational education and employment training by involving a wide range of agencies and individuals concerned with education and training within the State in the development of the vocational education plans. It is also the purpose of this part to authorize Federal grants to States to assist them—

(1) to extend, improve, and, where necessary, maintain existing programs of vocational, homemaking and consumer education,

(2) to develop new programs of vocational education,

(3) to develop and carry out such programs of vocational education within each State so as to overcome sex discrimination and sex stereotyping in vocational education programs (including programs of homemaking), and thereby furnish equal educational opportunities in vocational education to persons of both sexes, and

(4) to provide part-time employment for youths who need the earnings from such employment to continue their vocational training on a full-time basis,

so that persons of all ages in all communities of the State, those in high school, those who have completed or discontinued their formal education and are preparing to enter the labor market, those who have already entered the labor market, but need to upgrade their skills or learn new ones, those with special educational handicaps, and those in postsecondary schools, will have ready access to vocational training or retraining which is of high quality, which is realistic in the light of actual or anticipated opportunities for gainful employment, and which is suited to their needs, interests, and ability to benefit from such training.

VOCATIONAL EDUCATION

SEC. 1222. (a) Each State selected to participate in the consolidation program authorized under this part shall set forth provisions for programs to carry out the purposes described in section 1221 in the comprehensive State plan required under section 1246, and provisions for consumer education.

(b)(1) Funds attributable to the program consolidated by this section may be used for—

(A) vocational education programs;

(B) work study programs;

(C) cooperative vocational education programs operated by local education agencies with the participation of public and private employers;

(D) energy education programs for training of personnel in the areas of coal mining and solar energy;

(E) construction of vocational education school facilities if such facilities are not for individuals assigned as the result of delinquent conduct or in which students are segregated by race.

(F) support of full time personnel to perform duties described in section 104(b) of the Vocational Education Act of 1963;

(G) the provision of stipends, which shall not exceed reasonable amounts, as prescribed by the Commissioner pursuant to regulations, for students entering or already enrolled in vocational education programs, if such students have acute economic needs which cannot be met under work-study programs;

(H) placement services for students who have successfully completed vocational education programs;

(I) industrial arts programs where such programs will assist in meeting the purposes of this title

(J) support services for women who enter programs designed to prepare individuals for employment in jobs which have been traditionally limited to men, including counseling as to the nature of such programs and the special problems which may be encountered by women in such programs, and job development and job follow-up services;

(K) day care services for children of students in secondary and postsecondary vocational education programs;

(L) vocational education for—

(i) persons who had solely been homemakers but who now, because of dissolution of marriage or other reasons, must seek employment;

(ii) persons who are single heads of households and who lack adequate job skills;

(iii) persons who are currently homemakers and part-time workers but who wish to secure a full-time job; and

(iv) women who are now in jobs which have been traditionally considered jobs for females and who wish to seek employment in job areas which have not been traditionally considered job areas for females, and men who are now in jobs which have been traditionally considered jobs for males and who wish to seek employment in job areas which have not been traditionally considered job areas for males;

(M) special programs for disadvantaged students in areas of the State having high concentrations of youth unemployment and school dropouts;

(N) research programs;

(O) exemplary and innovative programs;

(P) curriculum development programs;

(Q) provision of guidance and counseling services;

(R) provision of pre-service and in-service training;

(S) grants to overcome sex bias;

(T) consumer and homemaking education as described in section 150 of the Vocational Education Act of 1963; and

(U) research, demonstration, or pilot projects in consumer education as described in section 811(a)(1)(B) of the Elementary and Secondary Education Act of 1965.

(2) Not more than 20 per centum of the funds attributable to this section in any fiscal year may be used for purposes described in clauses (O) through (T) of paragraph (1) of this subsection.

(3) At least 35 per centum of the funds attributable to this section in any fiscal year shall be used to serve—

(A) persons who have academic or economic handicaps and who require special services and assistance in order to enable them to succeed in vocational education programs;

(B) handicapped persons; or

(C) persons of limited English language proficiency.

(c) State and local advisory councils for vocational education shall be appointed and shall operate according to the provisions of Section 105 of the Vocational Education Act of 1963.

Subpart 2—Adult and Continuing Education

Sec. 1223. (a) Each State selected to participate in the demonstration authorized by this title shall, as part of the comprehensive State plan described under section 1246, provide for a program designed to meet the needs for adult basic education, and neglected or delinquent children in adult correctional institutions.

(b) Programs in adult correctional institutions shall be coordinated with other educational programs provided for such persons.

Subpart 3—Education Projects Authorized Under Employment Training Programs

EDUCATION TRAINING PROGRAMS

Sec. 1224. (a) Each State selected to participate in the demonstration shall describe, in the comprehensive State plan required by section 1246, how the activities in the plan relate to employment and training programs conducted by the prime sponsors established under the Comprehensive Employment and Training Act of 1973, to assure a coordinated approach to meeting the vocation education and training needs of the area or community.

(b)(1) Any local education agency which engaged in the previous fiscal year in a cooperative training project with the prime sponsor serving the area in which the local education agency is located shall be eligible to receive a bonus grant equal to one-half the amount of funds the local education agency contributed to the project. Each grant received under this subsection shall be used for the same or other cooperative projects with the prime sponsor.

(2) The State shall accept applications for funds from local education agencies and shall certify to the Commissioner the amount of funds for which local education agencies in the State are eligible, which certification shall accompany the plan required in section 1244(a)(4).

(3) There are authorized to be appropriated for each fiscal year ending prior to October 1, 1978, such sums as may be necessary to carry out the provisions of this section.

(4) If the sums appropriated for any fiscal year for making payments to States under this section are not sufficient to pay in full the amount to which each State is entitled under this section for such fiscal year, the amounts which all States may receive under this section for such fiscal year shall be ratably reduced. In case additional funds become available for making such payments for any fiscal year during which the preceding sentence is applicable, such reduced amounts shall be increased on the same basis as they were reduced.

SUBPART 4—DISTRIBUTION OF FUNDS TO LOCAL EDUCATIONAL AGENCIES

DISTRIBUTION TO LOCAL EDUCATIONAL AGENCIES

Sec. 1225. (a) From the funds provided to a State attributable to subparts 1 and 2 of this part for any fiscal year, the State shall allocate at least 80 per centum of such funds to local educational agencies and other eligible institutions in that State, based on enrollment and other criteria set forth in the comprehensive State plan required under section 1246.

(b) From the funds provided to a State attributable to subpart C of this part for any year, the State shall allocate all funds to local education agencies based on the certification furnished under section 1224.

PART C—SPECIAL EMPHASIS PROJECTS

Subpart 1—Libraries and Learning Resources

LIBRARIES AND SUPPORT SERVICES

Sec. 1231. (a) Each State selected to participate in the consolidation program authorized by the title shall carry out a program for making grants to local educational agencies, which program shall be described in the comprehensive State plan submitted under section 1246, provide for—

(1) the acquisition of school library resources, textbooks, and other printed and published instructional materials for the use of children and teachers in public and private nonprofit elementary and secondary schools; and

(2) the acquisition of instructional equipment (including laboratory and other special equipment, and audiovisual materials and equipment suitable for use in providing education in academic subjects) for use by children and teachers in elementary and secondary schools, and for minor remodeling of laboratory or other space used by such schools for such equipment.

(b) No personnel may be employed by a local educational agency with funds provided by this part.

Subpart 2—Special Curriculum Emphasis, Guidance and Counseling, Innovation, and Support Projects

SPECIAL PROJECT PROGRAMS

SEC. 1232. (a) Each State selected to participate in the consolidation program authorized by this title shall, in accordance with subsection (b), carry out a program for providing services and making grants to local educational agencies for—

(1) innovation and exemplary programs to stimulate and assist in the provision of vitally needed educational services not available in sufficient quantity or quality and to stimulate and assist in the development and establishment of exemplary elementary and secondary school programs (including the remodeling or lease of necessary facilities) to serve as models for regular school programs;

(2) (A) programs of counseling and guidance services for students in elementary and secondary schools, including—

(i) occupational, vocational guidance, personal social counseling, and information services,

(ii) pupil appraisal,

(iii) pupil motivation for academic success,

(iv) postsecondary placement assistance,

(v) research, evaluation, and followup activities, and

(vi) staff development;

(B) programs of testing students in elementary and secondary schools; and

(C) programs, projects, and leadership activities designed to expand and strengthen counseling and guidance services in elementary and secondary schools;

(3) demonstration projects by local educational agencies or private educational organizations designed to improve nutrition and health services in public and private nonprofit elementary and secondary schools serving areas with high concentrations of children from low-income families.

(4) the carrying out by such agencies in schools located in urban or rural areas, which have a high percentage of children from low-income families, and have a high percentage of such children who do not complete their secondary school education, of demonstration projects involving the use of innovative methods, systems, materials, or programs which show promise of reducing the number of such children who do not complete their secondary school education;

(5) strengthening the leadership resources of State educational agencies and assisting those agencies in the establishment and improvement of programs to identify and meet educational needs of the State;

(6) assisting and encouraging the use of the arts in elementary and secondary school programs;

(7) encouraging educational agencies and institutions to prepare students to use the metric system of measurement;

(8) advancing the education of gifted and talented children;

(9) programs, projects, and leadership for career education at elementary and secondary schools designed to—

(A) develop information on the needs for career education for all children,

(B) reassess the status of career education programs and practices including assessment of stereotyping career opportunities by race or by sex,

(C) provide for the demonstration of exemplary career education programs and practices by the development and testing of exemplary programs and practices using various theories, concepts, and approaches, and

(D) provide for the training and retraining of persons for conducting career education programs;

(10) activities to provide educational equity for women;

(11) establishing and supporting drug abuse and alcohol prevention and control projects, including projects for primary prevention and early intervention conducted in elementary and secondary schools;

(12) development of curriculum materials and dissemination of such materials in the elementary and secondary schools relating to the history, geography, society, economy, literature, art, music, drama, language, and general culture of any ethnic groups and the contributions of those ethnic groups to American heritage;

(13) strengthening the educational opportunities available to children in areas having high concentrations of low-income families, through improved programs of training and retraining for personnel eligible for the Teacher Corps including teachers, teacher aides, other educational personnel, teacher-interns, and volunteers who give instructional assistance in such areas through cooperative arrangements among State and local educational agencies and institutions of higher education for such training;

(14)(A) carrying out projects for schools having large numbers or high percentages of children with reading deficiencies, involving the use of diagnostic testing, individualized learning, innovative methods, systems, materials, bilingual materials when appropriate, vacation reading programs, or projects which show promise of overcoming such reading deficiencies, including projects for pre-elementary school children, and

(B) carrying out projects—

(i) to develop comprehensive programs and State leadership to improve reading proficiency and instruction in reading in the elementary schools of the State,

(ii) to arrange for and assist in the training of special reading personnel and specialists,

(iii) to furnish reading assistance and instruction to youths and adults who do not otherwise receive such assistance and instruction or to make grants for such reading academies to eligible institutions;

(15) environmental education activities at elementary and secondary education levels, including the development of curriculums (including interdisciplinary curriculums) in the preservation and enhancement of environmental and ecological balance, the dissemination of information relating to such curriculums and to environmental education generally, appropriate education training programs, and the planning of outdoor ecological study centers; and

(16) assistance to local educational agencies in strengthening the leadership resources of such agencies and to assist such agencies in the establishment and improvement of projects to identify and meet the educational needs of the schools of such agencies.

(17) special programs or projects for the education of handicapped and learning disabled children, if any such State selected for the demonstration is not eligible for assistance described in subpart 2 of Part A of this title.

(b) Each State program developed and carried out under subsection (a) of this section shall reflect the needs and priorities established by the local educational agencies in the comprehensive needs assessment conducted pursuant to section 1245(a).

Subpart 3—Distribution of Funds to Local Educational Agencies

DISTRIBUTION TO LOCAL EDUCATIONAL AGENCIES

Sec. 1233. (a) From the funds provided to a State attributable to clauses (1) and (2) of section 1231(a) of this title for any fiscal year, the State shall allocate to each local educational agency in that State an amount based upon enrollment any any other relevant factor to be determined by the State such as tax effort, numbers or percentages, or both, of students whose education imposes a higher than average cost per child upon the State or local education agency, and the ability of the local education agency to finance public education. The formula for such distribution shall be included in the comprehensive State plan required by section 1246. The local educational agencies, based on needs of public and non-public school children, will be given sole discretion in determining how such funds will be divided among the various purposes described in section 1241.

(b) From the funds provided to a State attributable to section 1232 for any fiscal year, the State agency designated pursuant to section 1244(a)(1) shall allocate funds to local educational agencies in the State in accordance with criteria developed in the comprehensive State plan, after a consideration of the needs assessments required by section 1232(b) for the purposes described in such clauses. Amounts attributable to clauses (5) and (14)(B) of section 1232 be retained by the State for programs conducted by the State education agency. Funds attributable to clause (17) shall be used only for the purpose stated in clause (17).

PART D—GENERAL PROVISIONS

RESERVATION OF FUNDS FOR CONSOLIDATED PROGRAMS

Sec. 1241. (a)(1) From the amounts appropriated for the fiscal year 1979 and for each fiscal year thereafter ending prior to October 1, 1983, to carry out programs consolidated by this Act, the Commissioner shall reserve an amount equal to the aggregate amount necessary to make allotments under section 1242 to States selected for the demonstration under this title with respect to programs covered by the comprehensive State plan for each such State.

(2) In reserving funds under this section, the Commissioner shall use formulas for the distribution of funds among the States in provisions of law authorizing programs consolidated by this title. Wherevver State formulas do not exist for programs consolidated by this title, the Commissioner shall reserve the amount of funds for all such programs which bear the same ratio to such amount as the number of children aged five through seventeen in the States which choose the option to consolidate bears to the number of children in all States except that funds for bilingual education programs will be reserved in accordance with the criteria under section 1242(a)(4) of this title and funds for consumer education will be reserved in accordance with the criteria under section 1242(b)(2)(B) of this title.

(b) From the amount allotted to each State under section 1242, the Commissioner shall pay to each State selected for the demonstration authorized by this title an amount equal to the amount expended in that State in carrying out a comprehensive State plan adopted pursuant to this title.

ALLOTMENTS

SEC. 1242. (a)(1) From the amounts reserved under section 1241 to carry out part A of this title for any fiscal year, the Commissioner shall determine the amount attributable to subparts 1, 2, and 3 of such part for all States selected to participate in the demonstration.

(2) From the amount reserved under section 1241 to carry out part A of this title and determined attributable to subpart 1 for any fiscal year, the Commissioner shall allot to each State the sum of—

(A) an amount equal to the amount which each such State would be entitled under—

(i) subpart 1 of part A of title I of the Elementary and Secondary Education Act of 1965, for all local educational agencies within that State,

(ii) part B of title I of the Elementary and Secondary Education Act of 1965,

(iii) that portion of subpart 2 of part A of the Elementary and Secondary Education Act of 1965 as relates to neglected and delinquent children, and migratory children,

subject to section 144 of the Elementary and Secondary Education Act of 1965, in each case;

(3) From the amount reserved pursuant to section 1241(a) for part A of this title and determined attributable to subpart 2, for any fiscal year, the Commissioner shall allot to each State the sum of an amount equal to the amount to which each such State would be entitled under—

(A) part B of the Education of the Handicapped Act, including funds under section 619 for States that provide direct services;

(B) section 121 of the Elementary and Secondary Education Act of 1965; and

(C) section 403(a)(8)(B) of the Elementary and Secondary Education Act of 1965.

(4) From the amount reserved pursuant to section 1241 for carrying out Part A of this title and determined attributable to subpart 3 of such part for any fiscal year, the Commissioner shall allot to each State the sum of any amount which bears the same ratio to such amounts as the number of limited and non-English-speaking children aged five to seventeen in the State, as identified by the Bureau of the Census, bears to the number of such children in all States, for funds available under—

(A) title VII of the Elementary and Secondary Education Act of 1965;

(B) section 708(c) of the Emergency School Aid Act; and

(C) subpart 3 of part B of the Vocational Educational Act of 1963.

(b)(1) From the amounts reserved under section 1241 to carry out part B of this Act for any fiscal year, the Commissioner shall determine the amount attributable to subparts 1, 2, and 3 of such part for all States selected to participate in the demonstration.

(2) From the amounts reserved under section 1241 to carry out part B of this title and determined attributable to subpart 1 for any fiscal year, the Commissioner shall allot to each State an amount equal to the amount to which each such State would be entitled under—

(A) part A of the Vocational Education Act of 1963; and

(B) an amount equal to the amount which bears the same ratio to the amount attributable to consumer education as the number of children age fifteen to seventeen, inclusive, in each State bears to the number of such children in all States.

(3) From the amount reserved under section 1241 to carry out part B of this title and determined attributable to subpart 2 for any fiscal year, the Commissioner shall allot to each State an amount equal to the amount to which the State would be entitled under—

(A) the Adult Education Act;

(4) from the amount reserved under section 1241 to carry out Part B of this Act and determined attributable to subpart 3 for any fiscal year, the Commissioner shall allot to each State an amount equal to the amount to which each such State is entitled in accordance with the criteria under section 1224 of this title.

(c)(1) From the amounts reserved under section 1241 to carry out part C of this title and for any fiscal year, the Commissioner shall determine the amount attributable to subparts 1 and 2 of such part for all States selected to participate in the demonstration.

(2) From the amount reserved under section 1241 to carry out part C of this title and determined attributable to subpart 1 for any fiscal year, the Commissioner shall allot to each State an amount equal to the amount to which each such State would be entitled under part B of title IV of the Elementary and Secondary Education Act of 1965 (other than the amount attributable to guidance and counseling).

(3) From the amount reserved under section 1241 to carry out part C of this title and determined attributable to subpart 2 for any fiscal year, the Commissioner shall allot to each State an amount equal to the sum of the amount to which each State would be entitled under—

(A) part C of title IV of the Elementary and Secondary Education Act of 1965 less the 15 per centum set aside for handicapped education in section 403(a)(8)(B) of such title, if the State is eligible for part A, subpart 2, of this title. The 15 per centum set aside in section 403(a)(8)(B) shall be included in the allotment under this subsection for States not eligible under subpart 2 of part A.

(B) that portion of part B of title IV of such Act attributable to guidance and counseling; and

(C) an amount equal to the amount which bears the same ratio to the amount attributable to clauses (6) through (16) of section 1232(a), as the number of children age five to seventeen, inclusive, in such State bears to the number of such children in all States selecting to participate in the programs consolidated under title III of this Act.

(4) For the purpose of paragraph (3) of this subsection, the Commissioner shall determine the number of children age five to seventeen, inclusive, on the basis of the most satisfactory data available to him.

(d)(1) For the purpose of this section, "all States" means for any fiscal year all States selected to participate in the demonstration.

(2) For the purpose of subsection (b) of this section, the term "State" does not include Guam, the Virgin Islands, American Samoa, and the Trust Territory of the Pacific Islands.

(e) Any funds granted to a State under any program consolidated under this title prior to the consolidation which remain available for expenditure during the succeeding fiscal year pursuant to section 412(b) of the General Education Provisions Act, shall be available for use by that State during that year for the purpose for which they were originally granted or for carrying out the State's consolidated plan for that year under this title.

(f) Any expenditures made to close out any programs consolidated by this title may be included as administrative expenses under section 1244(c)(1) of this title.

PLANNING GRANTS

SEC. 1243. (a) Any State selected to participate in the consolidation program authorized by this title, shall, in order to prepare a consolidated plan in accordance with the provisions of this title, receive a one-year planning grant.

(b) The maximum amount of a grant which a State may receive under this section is equal to 1 per centum of the total allotment of that State under programs consolidated by this title, for the fiscal year for which the determination is made, except that no State shall receive less than $200,000 nor more than $1,000,000.

(c) There are authorized to be appropriated for fiscal year 1979 such sums as may be necessary to carry out the provisions of this section.

STATE ADMINISTRATION

SEC. 1244. (a) Each State selected to receive a grant for the consolidation program authorized by this Act for any fiscal year shall—

(1) designate the State educational agency and the State board for vocational education (if applicable) within the State to administer the financial assistance made available under this Act;

(2) develop and publish prior to implementation of the demonstration authorised by this title a four-year comprehensive State plan which—

(A) is developed in accordance with the procedures described in section 1245, and

(B) contains the provisions designed to meet the requirements of 1246.

(3) develop and publish an annual update of the comprehensive State plan, and

(4) submit to the Commissioner for his approval the comprehensive State plan or annual update in accordance with the provisions of this title.

(b) A State which receives a grant for the demonstration program authorised by this title for any fiscal year shall, in addition to the requirements of subsection (a)—

(1) provide for an audit of expenditures for each program year in accordance with generally accepted accounting principles, conducted, as determined by the State by—

(A) an auditor of the State, using certified public accountants, or

(B) a private certified public accountant or auditing firm utilising certified public accountants;

(2) provide for an annual evaluation of the implementation of the State's final comprehensive plan, and any amendment thereto, adopted under section 1245,

(3) submit to the Commissioner for his approval the procedures established by the State to carry out the provisions of clauses (1) and (2) of this subsection, with such supporting material as the Commissioner may require; and

(4) prepare and submit an annual report of that audit and evaluation which report shall include—

(A) such information as the Commissioner may reasonably prescribe consistent with the consolidation and provisions of this Act, and

(B) assurance that funds were expended in accordance with this Act and the comprehensive State plan.

(c) The Commissioner shall pay to each State for the proper and efficient administration of the consolidation program authorised by this title an amount, in one grant award, equal to 1 per centum of the aggregate of that State's allotment for the fiscal year for which the determination is made except that no State shall receive less than it received for the administration of programs consolidated by this Title in the previous fiscal year.

PROCEDURE FOR DEVELOPING THE COMPREHENSIVE STATE PLAN

SEC. 1245. Each State shall in the development of the comprehensive State plan establish procedures designed to assure that—

(1) a comprehensive assessment is conducted of the educational needs of the children of that State aged five to seventeen, inclusive, for educational services, the needs of children below aged five eligible for serv-

ices under this Act, the needs of adults in that State for basic educational and continuing educational services, and for vocational education programs, the local labor market requirements, the current status of employment and the economy, the location of training facilities, and the needs of the individuals to be served. Particular attention shall be given to the identification of children with special educational needs, the services which the students are receiving, and the need for continued, additional, and related services for each of the programs specified in parts A, B, and C of this title,

(2) local education agencies will determine priorities for subpart 2 of part C of this title and for Part B as part of the needs assessment process,

(3) there is participation of interested citizens, local educational agencies, units of general local government, appropriate State agencies and organizations, and, if appropriate, prime sponsors under the Comprehensive Employment and Training Act of 1973, prior to and during the development of the comprehensive plan,

(4) the legislature of the State will be informed of the development of the procedures required by this subsection,

(5) as a part of the comprehensive planning process priorities will be established for the use of funds under section 1247,

(6) the use of funds for purposes described in parts A, B, and C of this title will be coordinated with the use of State and local funds extended for similar purposes,

(7) the use of funds for purposes described in parts A, B, and C of this title will be coordinated with each other and other Federal programs to avoid duplication of effort,

(8) the proposed comprehensive State plan or the annual update thereof will be submitted to the Commissioner and will be published at least ninety days prior to its effective date and such plan or update thereof will be available to interested parties and to local educational agencies within the State. Comment relating to such plan must be accepted for a minimum of forty-five days after such publication,

(9) a final comprehensive State plan, or annual update thereof, will be published and made available prior to its effective date together with a summary of the comments received,

(10) any amendment to the final comprehensive State plan prepared by the State educational agency or other agency designated pursuant to section 1244(a)(1) will be published as a proposed amendment on which the public may comment for a period of at least twenty days, and thereafter the final amendment, together with a summary of the comments received and the action taken on such comments will be published,

(11) regulations and rules established, amended, or repealed by that State will be established, amended, or repealed with the counsel of local education agencies and consistent with State administrative procedures and due process,

(12)(A) local education agencies may agree to join together and form consortium for the purpose of carrying out any of the programs authorized by this title, and

(B) such consortium will be considered as a local educational agency for the purpose of distribution of such funds.

PROVISION OF THE COMPREHENSIVE STATE PLAN

SEC. 1246. A comprehensive State plan meets the requirements of this section if that plan—

(1) sets forth the procedure used and the results of the needs assessments conducted pursuant to section 1245(a)(1);

(2)(A) sets forth the goals to be achieved under the plan, the basic program objectives and a description of the programs to be assisted in accordance with the provisions of parts A, B, and C;

(B) sets forth the type of individuals to be served in each such program together with the services or activities to be supported and the estimated enrollment for each such program;

(3) sets forth the policies and procedures to be followed by the State to assure that the distribution of funds under parts A, B, and C of this title to local educational agencies and other appropriate agencies and organizations within the State is in accordance with the provisions of each such part;

(4) contains a description of the organizational structure through which the program consolidated by this title will be administered;

(5) sets forth the procedures for monitoring activities of the local educational agencies within the State including a provision for technical assistance by the State to each such local educational agency;

(6) contains a description of the process that the State will use to insure that any local educational agency in the State which receives funds under this Act will annually develop or update a comprehensive plan for the use of such funds; that a program site advisory council will be established for programs pursuant to sections 1211 and 1216 to advise in the development of the plan for such programs; and that the plan will be made available to the public for comment in a manner consistent with the manner and provisions required for the comprehensive State plan under this title;

(7) provides, consistent with State law and practice, for audit of local educational agency expenditures under this title:

(8) sets forth procedures to assure that—

(A) the aggregate amount, or

(B) the amount of the average per-pupil expenditure, whichever is less, to be expended by the State and its local educational agencies from funds derived from non-Federal sources for the consolidation program under each Part of this title for any fiscal year will not be less than the amount so expended for the preceding fiscal year;

(9) sets forth procedures to assure that funds made available under this Act will be used so as to supplement the level of State and local funds expended for the purposes described in the plan and in no case to supplant such State and local funds;

(10) provides that funds pursuant to section 1311, 1313, and 1315 are used only for the excess costs of programs under those sections.

(11) provides that the only applications for funds for programs under this title in addition to the local comprehensive program plan which a local educational agency shall make to the State are for programs under the State plan which are competitive;

(12) sets forth procedures to be used by the State to eliminate unnecessary paperwork and duplication of informational requests in regard to local educational agency applications, evaluations, and reporting;

(13) provides due process procedures to be taken by the State in regard to a local educational agency which has failed to develop or implement a comprehensive program plan, including due process procedures for withholding of funds;

(14) provides a local educational agency appeal process within the State for any local educational agency which is dissatisfied with the State's action with respect to the State's compliance with substantive and procedural provisions of the Act.

SUPPLEMENTAL GRANTS

SEC. 1247. (a) The Commissioner shall make a grant, in accordance with the provisions of this section, to any State selected to participate in the demonstration program authorized by this title. The amount of the grant that each State shall receive for each fiscal year under this section shall be 10 per centum of the aggregate amount allotted to the State under section 1242 for the fiscal year preceding the fiscal year for which the determination is made, except that for fiscal year 1980 such maximum amount shall be equal to 10 per centum of the aggregate amount received by such State in fiscal year 1979 for the programs described in parts A, B, and C of this title. However, no State shall receive less than $300,000.

(b) The Commissioner shall pay to each State having an approved comprehensive State plan the amount to which the State is entitled under this section. The funds paid under this section may be used for any programs described in parts A, B, or C of this title.

(c) Funds received by a State under this section shall be distributed to local educational agencies in the following manner:

(1) Fifty per centum of such funds shall be distributed to the local education agencies within the State according to enrollment.

(2) Fifty per centum of such funds will be distributed to local education agencies according to criteria set forth in the comprehensive State plan required in section 1246.

(d) If the sums appropriated for any fiscal year for making payments to States under this section are not sufficient to pay in full the amount to which a State is entitled under this section for such fiscal year, the amounts which all States may receive under this section for such fiscal year shall be ratably reduced. In case additional funds become available for making such payments for any fiscal year during which the preceding sentence is applicable, such reduced amounts shall be increased in the same basis as they were reduced.

(e) There are authorized to be appropriated for fiscal year 1980 and for succeeding fiscal year ending prior to October 1, 1983, in addition to any amount reserved pursuant to section 1241, such sums as may be necessary to carry out the provisions of this section.

FEDERAL ADMINISTRATION

SEC. 1248. (a) The consolidated program authorized by this Act shall be administered by a separate identifiable administrative unit to be designated within thirty days after the date of enactment of this Act by the Commissioner.

(b) The Commissioner shall establish procedures to eliminate all unnecessary paperwork in regard to information required of State and local educational agencies.

(c) The Commissioner shall establish procedures for approval of State plans submitted in accordance with section 1246 of this Act. In exercising his authority under this section, the Commissioner shall apply only the provisions of this Act.

(d) The Commissioner shall establish procedures to permit a local education agency to appeal to the Commissioner a State's final ruling on an appeal to the State by that local education agency under clause 14 of section 1246.

(e) Requests from State educational agencies for information concerning legality of State actions under this Act shall be answered by the Commissioner of Education within 45 days.

MONITORING AND TECHNICAL ASSISTANCE

SEC. 1249. (a) The Commissioner shall define the criteria which State monitoring activities required under Section 1246(5) shall meet. These shall include criteria to determine—

(1) the extent to which the programs described pursuant to section 1246(2)(A) have been implemented;

(2) the appropriateness and effectiveness of services provided to the individuals identi-

fied pursuant to the requirements of section 1246(2)(B); and the effectiveness of the procedures established pursuant to the requirements of all other subsections of section 1246.

(b) The Commissioner shall conduct annually such monitoring programs in each State selected to participate in the demonstration program authorized by this title as he deems appropriate. The monitoring program authorized by this section shall include—

(1) review of the development of the comprehensive State plan for compliance with the provisions of this title.

(2) review of implementation of programs for conformity with this title and with the comprehensive program plan.

(3) review of the monitoring activities of the State for compliance with subsection (a) of this section. Each State shall be notified in advance of monitoring visits. (c) Whenever as a result of monitoring activities conducted pursuant to this section, the Commissioner identifies areas of noncompliance, the Commissioner shall establish procedures with the appropriate State agency designated under section 1244(a)(1) for the necessary modifications.

(d) The Commissioner shall provide advice, counsel, and technical assistance upon request of State and local educational agencies.

(e) Monitoring activities carried out by the Commissioner or the State education agencies shall not require additional paperwork of the agencies under review.

EVALUATIONS

Sec. 1250. (a) The Commissioner after consulting and with the assistance of State agencies designated pursuant to section 1244 (a)(1) shall prepare and design a model for evaluation of program effectiveness which will be consistent with the purposes of each program described in parts A, B, and C of this title. Evaluation of local educational agency programs should focus on the services provided for students, the number of students served by each program, and the effect or results of such services.

(b)(1) Each State participating in the demonstration authorized by this title shall be responsible for the use of that model in program evaluation of the demonstration authorized by this title. Such evaluation shall involve participation by local educational agencies of that State.

(2) An evaluation report consistent with the procedures established pursuant to this section and the State comprehensive plan shall be prepared annually by each local educational agency and submitted to the State agency designated pursuant to section 1244 (a)(1).

(3) The annual State agency evaluation report prepared pursuant to this subsection shall be submitted to the Commissioner on such date as the Commissioner shall establish. The Commissioner shall analyze the State evaluations received under this paragraph and shall, not later than March 1 in the year succeeding the year in which the evaluations are submitted, prepare and submit to the Congress a report on such evaluations.

EVALUATION OF THE DEMONSTRATION

Sec. 1252. (a) The National Institute of Education shall undertake a thorough evaluation and study of the effectiveness of the reorganization and consolidation authorized by this title. Such evaluation shall include a comparision of the administration of Federal education funds according to the requirements of this title with the administration of those funds under applicable statutes prior to the consolidation.

(b) For purposes of this comparison, the Institute shall collect data from both those State agencies operating under the demonstration, and from a representative sample of LEAs within those States.

(c) The study required by this section shall include—

(1) an examination of the administrative burden at the State and local levels, to include an assessment of the extent to which operation under consolidation reduces duplication of effort and unnecessary paperwork;

(2) an examination of changes in the decision-making process for local program implementation, including the effect of the demonstration on the degree of coordination between and among Federal programs and local education services;

(3) an analysis of changes in the services provided to target populations, including the extent to which services shift among target groups or changes in the quantity and quality of services for particular target populations;

(4) the effects of the demonstration on the composition of target populations;

(5) the effects of the demonstration on the ability to monitor and evaluate the effectiveness of programs for separate target groups;

(6) the effects of the demonstration on state and local jurisdictions in relation to distribution of educational funds based on fiscal capacity, tax effort and educational need; and

(7) findings and recommendations with respect of (1)-(6) above.

(d) The Institute shall make an interim report to the President and the Congress not later than December 31, 1981 and shall make a final report thereto no later than 12 months after the date of submission of such interim report on the result of its study conducted under this section. Any other provision of law, rule, or regulation to the contrary notwithstanding, such reports shall not be submitted to any review outside the Institute before their transmittal to the Congress, but the President and the Commissioner of Education may make to the Congress such recommendations with respect to the comments of the reports as each may deem appropriate.

(e) The Institute shall submit to the Congress, within 120 days after enactment of this title, a plan for its study to be conducted under this section and shall not initiate research proposed to be conducted under that plan until 30 legislative days after such submission.

(f) There are authorized to be appropriated $500,000 for FY 1979, $2,000,000 for FY 1980, 1981, and 1982, and $500,000 for FY 1983 to carry out the provisions of this section.

ENFORCEMENT

Sec 1253(a) (1) No payment may be made under section 1241(b) to any State that has failed to submit a comprehensive State plan as required by section 1244(a)(4).

(2) In the case of any State that has submitted a plan, if the Commissioner, after reasonable notice and opportunity for a hearing to the State, finds that the comprehensive fails to comply with the requirements of section 1245 and 1246, or the State has failed substantially to comply with any provision of that plan or parts A, B, or C, or has failed to inform the Commissioner of any substantial failure to comply with any provision of that plan or those sections, the Commissioner shall—

(A) reduce the amount otherwise payable to the State under section 1241(b) until he is satisfied that there is no such failure, but not in excess of 5 per centum of the amount payable to the State, or

(B) make no further payments to the State under section 1241(b) for all or any part of such funds until he is satisfied that there will no longer be any failure of the plan to comply with the requirements of sections 1245 and 1246.

(3) In the case of any State that has submitted the plan required by section 1244(a)(4), if the Commissioner after reasonable notice and an opportunity for a hearing to the State—

(A) disapproves, or withdraws his approval, of the procedures submitted under section 1244(b)(3), or

(b) finds that the State has substantially failed to comply with the procedures approved under section 1244(b)(3),

the Commissioner shall notify the State that further payments will not be made to the State under section 1244(b) until he is satisfied that there will no longer be any such failure to comply, and until he is so satisfied he shall make no further payments to the State.

(b)(1) If any State is dissatisfied with the Commissioner's final action with respect to any action taken under this section, the State may within sixty days after notice of that action, file with the United States court of appeals for the circuit in which the State is located a petition for review of that action. A copy of the petition shall be forthwith transmitted by the clerk of the court to the Commissioner. The Commissioner thereupon shall file in the court the record of the proceedings on which he based his action, as provided in section 2112 of title 28, United States Code.

(2) The findings of fact by the Commissioner, if supported by substantial evidence, shall be conclusive; but the court, for good cause shown, may remand the case to the Commissioner to take further evidence, and the Commissioner may thereupon make new or modified findings of fact and may modify his previous action, and shall file in the court the record of the further proceedings. Such new or modified findings of fact shall likewise be conclusive if supported by substantial evidence.

(3) Upon the filing of such petition, the court shall have jurisdiction to affirm the action of the Commissioner or to set it aside, in whole or in part. The judgment of the court shall be subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28, United States Code.

(c) The Secretary and the Comptroller General of the United States, in the exercising of their authority under section 434(a)(2) of the General Education Provision Act may only audit activities undertaken within the State with funds provided under this Act, and such other activities as are necessary to verify compliance with this Act.

CONSTRUCTION

Sec. 1254. Funds paid to a State under this Title shall be available for construction of any facilities for which funds would have been available for any program consolidated in this Title. For the purposes of this Title, the term "construction" means the erection, acquisition, alteration, remodeling or improvement of facilities, including the acquisition of land necessary therefor, and the cost of construction includes the cost of achitect's fees.

CIVIL RIGHTS REQUIREMENTS

Sec. 1255. (a) Funds made available under this Title shall be subject to title IV of the Civil Rights Act of 1964 (42 U.S.C. 1681–1686), title IX of the Education Amendments of 1972, and section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794).

(b) Whenever the Secretary of Health, Education, and Welfare determines, pursuant to the procedures applicable to any of the provisions in subsection (a) of this section, that one or more local educational agencies in a State are not in compliance with any of those statutory provisions, and none of the funds provided to that State under this title shall be made available to such local educational agencies during the period of non-compliance; and the allotment to that State under section 1241 for that period shall be reduced by the amount of such funds received by those districts in the fiscal year prior to the year in which determination of noncompliance was made.

PARTICIPATION OF NONPUBLIC SCHOOL CHILDREN

SEC. 1256(a) The State educational agency or agencies designated under section 1244 (a)(1) of any State and local educational agencies receiving a grant under this title shall provide that—

(1) to the extent consistent with the number of—

(A) children enrolled in private nonprofit elementary and secondary schools who reside in area of the State eligible to be served by programs assisted under this title, and

(B) children in Indian Tribal elementary and secondary schools in the State, who have need for the services provided by those programs.

Such children shall be given, after consultation with the appropriate private school officials, an opportunity to participate, on an equitable basis, in activities assisted under this Act; and

(2) title to and control of funds received under this Act and other property derived therefrom will remain in one or more public (including Indian Tribal government) agencies.

(b) The means by which the requirements in subsection (a) will be met within a State shall be set forth in the plan of the State adopted under section 1246.

(c) If a State is prohibited by law from providing for the participation of children enrolled in private nonprofit or Indian Tribal elementary and secondary schools or if the Commissioner determines, after affording notice and opportunity for a hearing, that a State has substantially failed to provide for such participation, he shall waive the requirements of subsection (a)(1) and he shall arrange, by contract or otherwise, for such children to receive, on an equitable basis, services similar to those provided under this title to public school children in the State. The cost of providing those services for any fiscal year shall be paid from the allotment of the State under section 1242.

DEFINITIONS

SEC. 1257. For the purpose of this title—

(1) The term "adult basic education" means education for adults above the age of sixteen whose inability to speak, read, or write the English language constitutes a substantial impairment of their ability to get or retain employment commensurate with their real ability.

(2) The term "area vocational education school" means any such school as defined in section 195(2) of the Vocational Education Act of 1963.

(3) The term "educationally deprived children" refers to those children deemed to be eligible under Section 103 of the Elementary and Secondary Education Act of 1965.

(4) The term "free appropriate education" means special education and related services which have been provided at public expense without charge and under public supervision and which meets the standards of the State education agency.

(5) The term "gifted and talented children" is used as defined in section 801(1) of the Elementary and Secondary Education Act of 1965.

(6) The term "handicapped children" means the children defined in section 602(1) of the Education of the Handicapped Act.

(7) The term "local education agency" means a public board of education or other public authority legally constituted within a State for either administrative control or direction of, or to perform a service function for, public elementary or secondary schools in a city, county, township, school district, or other political subdivision of a State, or such combination of school districts or counties as are recognized in a State as an administrative agency for its public elementary or secondary schools. Such term also includes any other public institution or agency having administrative control and direction or a public elementary or secondary school.

(8) The term "migratory children" refers to children who are eligible under section 122 of the Elementary and Secondary Education Act of 1965.

(9) The term "special education and related services means the programs defined in section 602(16) and (17) of the Education of the Handicapped Act.

(10) The term "State" includes, in addition to the several States of the Union and the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands.

(11) The term "State educational agency" means the State board of education or other agency or officer primarily responsible for the State supervision for public elementary and Secondary schools, or, if there is no such officer or agency, an officer or agency designated by the Governor or by State law.

(12) The term "vocational education" means the programs defined in section 195 (1) of the Vocational Education Act of 1963.

(13) "Program of Bilingual Education" means the programs defined under section 703(a)(4) of the Elementary and Secondary Education Act.

(14) "Children and limited English language proficiency" refers to children who are

eligible under section 703(a)(1) of the Elementary and Secondary Education Act.".

(15) The term "excess costs" means costs directly attributable to programs which exceed the average per pupil expenditure for the local education agency for pupils in the grade or grades included in such programs.

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PART V

AN ANNOTATED BIBLIOGRAPHY

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An Annotated Bibliography

Elizabeth A. VanderPutten

GRANTS CONSOLIDATION AND FEDERALISM

Break, George F. *Intergovernmental Fiscal Relations in the United States.* Washington, D.C.: The Brookings Institute, 1967.

A seminal analysis of the reasons for federal aid, the sometimes opposing objectives of the aid, and strategies for achieving the objectives. Good background reading.

Berke, Joel and Michael Kirst. *Federal Aid to Education: Who Benefits, Who Governs.* Lexington, Mass.: Lexington books, 1972.

Well grounded in earlier studies of the politics of education at the state level, emphasizes the importance of recognizing the differences in state political cultures in designing and evaluating federal educational policy. Recommends USOE use different approaches with different SEAs. Useful for developing a rationale for allowing some states to consolidate grants while maintaining categoricals for others and is excellent for understanding the workings of the state in the federal system.

Berke, Joel S. and Elizabeth J. Demarest, "The Federal Role in Education: Trends, Issues and Alternatives for the Future," An essay to appear in *Government in the Classroom: Dollars and Powers in Education.* New York: Academy of Political Science, 1979 (in press).

Identifies the major issues in intergovernmental relations. Emphasizes the need for a working partnership. Argues that the federal government should set performance or output standards while leaving significant discretion to the states.

Federalism at the Crossroads: Improving Educational Policymaking. Washington, D.C.: Institute for Educational Leadership, 1976.

A collection of articles on the evolving nature of federalism from federal, state and local perspectives. Excellent survey of the issues.

Reagan, Michael D. *The New Federalism.* New York: Oxford University Press, 1972.

Arguing that unrestricted funds have been poorly handled by states and that narrowly defined categorical grants ignore the need for strong states, author suggests that the federal government set broad policy guidelines and allow local governments maximum freedom in operating within these stated goals.

EFFECTS OF DISTRIBUTING FEDERAL FUNDS

Economic Issues

Adams, Robert F. "The Fiscal Response to Intergovernmental Transfers in Less Developed Areas of the United States," *Review of Economics and Statistics,* Aug. 1966, pp. 308–313.

Stating that federal aid is unlikely to raise the overall level of public services and will have a strong negative effect on local tax efforts, argues that providing aid on the basis of local fiscal effort is counter-productive. Federal government should provide aid because it wants certain services offered and not to stimulate local spending. Provides an interesting counter-argument to those who would say that consolidation may reduce local spending.

Bishop, George A. "Stimulative Versus Substitutive Effects of State School Aid in New England," *National Tax Journal,* vol. XVII, June 1964, p. 133–43.

State aid to education has been more substitutive than stimulative. The wealthier the district, the more likely it is to use state money to buy extra services rather than reduce taxes. Although somewhat dated with a focus on state aid, provides a model for studying the effects of any outside aid on local school expenditure patterns.

Gramlich, Edward M. "Alternative Federal Policies for Stimulating State and Local Expenditures: A Comparison of their Effects," *National Tax Journal,* vol. XXI, June 1968, pp. 119–29.

Technical analysis of the effects on local fiscal policy of matching grants-in-aid, unconditional block grants, and block grants conditioned on effort. The author concludes that matching grants have the greatest positive effect on local spending while block grants have little effect. Block grants may be useful but cannot be justified in terms of stimulating local

spending. Useful for technical information, methodology, and its recommendations.

James, Louis. "The Stimulative and Substitution Effects of Grants-In-Aid; A General Equilibrium Analysis," *National Tax Journal,* vol. XXVI, June 1973, pp. 251–66.

A highly theoretical analysis of stimulation and substitution effects of grants-in-aid programs. States that the effects of unconditional grants on expenditures depend on income elasticity. The ability of matching grants to stimulate spending depends on price elasticity. As a matching grant reduces the effective price of a good, the local agency may or may not choose to purchase more. Difficult reading, but is a fairly complete analysis of the fiscal impact of different types of grants.

Olsen, E. O. "A Method of Predicting the Effects of Different Forms of Aid on Local Educational Expenditures," R 807 FF, Santa Monica, Calif.: The Rand Corporation, 1972.

Presents a method for predicting the effects of outside aid on school district expenditures. Useful for projecting the impact of consolidation and is necessary reading for an economic analyst.

Sacks, Seymour and Robert Harris. "The Determinants of State and Local Government Expenditures and Intergovernmental Flows of Funds," *National Tax Journal,* vol. XVII, Mar. 1964, pp. 75–85.

Seminal work on the impact of the source and type of funds on public expenditures. Hypothesized that federal aid, whether tied to specific programs or matching provisions, would stimulate state spending. While often quoted, more recent works question the findings. Primarily of historical interest.

Wilde, James A. "Grants-in-Aid: The Analytics of Design Response," *National Tax Journal,* vol. XXIV, June 1971, pp. 143–55.

To evaluate the effects of grants, preferences of the federal government and the recipient state or local agency must be known as well as the budget constraints. The greater the differences, the less likely the recipient agency will use the money to achieve federal goals. Argues federal government should fund programs at the appropriate level and for local agencies to fund their programs. Issues raised have considerable applicability to the design of appropriate goals and strategies for consolidated grants.

Political Issues

Caputo, David, A. and Richard L. Cole. *Urban Politics and Decentralization.* Lexington, Mass.: D.C. Heath and Co., 1974.

Emphasizes who makes what decisions in the distribution of general revenue sharing funds in major urban areas. Concludes that the political structure of the cities is alive and well and that revenue sharing is an appropriate means of dealing with the cities. Since some of the consolidation proposals will rely on the ability of cities to function politically, the study may be of interest to those planning consolidation bills.

Halperin, Samuel. "Block Grants or Categorical Aids? What do We Really Want—Consolidation, Simplification, Decentralization?" *Federalism at The Crossroads, Improving Educational Policymaking*. Washington, D.C.: Institute for Educational Leadership, 1978.

Identifies the positions of the actors in the consolidation-categorical fight and concludes that much of the political fighting would end if there were more funds for consolidated grants but that it would be unwise to move to consolidation if extra funds were not available. Argues that the important task is identifying the objectives of federal aid. Excellent overview of issues.

Keppel, Francis. "The National Interest and Educational Variation," in *Dilemmas in School Finance*. Chicago, Ill.: Midwest Administration Center, 1978.

State and federal interests overlap in promoting equity and equal opportunity. The issue is how to differentiate between powers that need to be centralized and powers that rest best with local levels. Argues that the federal government must accept diversity in the LEAs and SEAs. Provides a rationale for voluntary consolidation emphasizing local and state planning.

McDonnell, Lorraine and John Pincus. "Federal Aid to Education: An Intergovernmental Perspective, Rand/WN-9959-HEW." A Working Note prepared for the Office of the Assistant Secretary for Education, U.S. Department of Health, Education and Welfare, Santa Monica, Calif.: The Rand Corporation, Dec. 1977.

Based on interviews with federal, state and local officials, the report concludes that there is general agreement on the goals and priorities of the federal government, but much controversy over the administrative and bureaucratic handling of federal aid. Four proposals are analyzed in terms of their political feasibility and their potential ability to alleviate the problems associated with federal aid. Clearly written and insightful. Useful in developing a framework for evaluating proposed bills.

"The Silken Purse: Legislative Recommendations for Title I of ESEA." DHEW contract No. HEW 05—72-224. Washington, D.C.: The Planar Corporation, 1973.

Argues that despite detailed regulations, there are so many differences from state to state that it is misleading to speak of a national Title I program. Recommends that regulations be streamlined and specific standards be established, but that considerable flexibility be provided SEAs. Useful for developing a political rationale for consolidation.

Administrative Issues

Echer-Racz, L. L. *The Politics and Economics of State-Local Finance*. Englewood Cliffs, N.J.: Prentice Hall, Inc., 1970.

General introductory work on problems of federal aid. Chapter 21, analyzes administrative complaints and the movement toward equalization. Evaluates a number of proposals for dealing with the problems. Good background reading.

"Problems and Responses in the Federalism Crisis: Report of a Seminar." Washington, D.C.: The National Academy of Public Administration, 1971.

Argues forcefully for retention and expansion of the categorical grants system despite its acknowledged problems, on the basis that it has worked well in concentrating national energies on national problems and priorities. Particularly interesting in view of the cross section of participants drawn from city and state governments, federal agencies, national associations, and universities.

"Responsive Federalism." Report to the President on the Federal Assistance Review: U.S. Office of Management and Budget, Jan. 1973.

Presents a short summary of Nixon's Administrations attempts to streamline federal domestic assistance programs. Concludes that considerable progress was made simplifying programs, cutting red tape, and increasing federal responsiveness. Argues that the need for grants consolidation continues. Useful as a brief overview of grants consolidation, administrative problems, and goals.

Wagner, Richard. *The Fiscal Organization of American Federalism*. Chicago, Ill.: Markham Publishing Co., 1971.

Although primarily concerned with identifying means to increase support for state and local governments, also focuses on urban problems and the tensions between the cities and the state and federal governments. Provides an interesting analysis.

EXISTING FEDERAL AID MECHANISMS

Categoricals: Title I.

Goettel, Robert J. "Federal Assistance to National Target Groups: The ESEA Title I Experience." A Working Note prepared for Department of Health,

Education and Welfare. Santa Monica, Calif.: The Rand Corporation, 1977.

Reviews Title I of ESEA. Raises two questions: (1) are federal controls working to achieve federal priorities and (2) even if working, are the controls necessary. Concludes that the basic concept of compliance should be maintained but that the federal government should also recognize the need for overall cooperation of the state. Calls for greater coordination and consolidation.

Halperin, Samuel, "ESEA: Decennial Views of the Revolution," *Essays on Federal Educational Policy*. Washington, D.C.: Institute for Educational Leadership, 1975.

Provides evidence that despite its problems, ESEA has spotlighted special needs children, contributed to educational equity, encouraged parental involvement and increased cooperation between public and private schools. Suggests that more precise data are necessary.

National Institute of Education, *Compensatory Education Study*. Washington, D.C.: U.S. Government Printing Office, September, 1978. Reports on intensive and extensive studies of ESEA Title I Projects. Studies focus on funds allocation, service delivery, student development and program administration. Also reports on effects of alternative funding procedures. Essential reading.

Block Grants

Advisory Commission on Intergovernment Relation. *Block Grants: A Comparative Analysis, the Intergovernmental Grant System: An Assessment and Proposed Policies,* Washington, D.C.: The U.S. Government Printing Office, 1977.

Characteristics and objectives of the block grant concept are identified and then compared and contrasted with large categoricals and consolidated grants. Four case studies of block grant programs are presented and their similarities and differences outlined. Recommendations for when block grants should be used, what guidelines should be followed, how recategorization can be avoided, and the roles that should be played by state and regional bodies are particularly helpful.

Benson, George C. S. and Harold F. McClelland. *Consolidated Grants: A Means of Maintaining Fiscal Responsobility.* Washington, D.C.: American Enterprise Institute, 1961.

Presents an early argument for closed-ended, consolidated grants which are similar to recent block grants, based on the fear that increased federal categorical aid to the state could reduce them to no "more than hollow shells" operating as administrative field offices of the national government. Includes interesting summaries of similar experiences in Canada, Australia and England.

Nathan, Richard P., *et al. Block Grants For Community Development*. Prepared for the U.S. Department of Housing and Urban Development, Washington, D.C.: The Brookings Institution, 1977.

First report of a 2-year study of the political and social impacts of the Community Development Block Grant Program. Concludes that the block grant approach showed a small tendency to shift allocations from the poorest to the fringe neighborhoods, as funds were no longer directly targeted to model cities. Block grant program had little affect on leveraging private or local investment. Findings are useful in raising general policy issues about who will make the decision and who will receive the benefits under consolidation.

Revenue Sharing

Nathan, Richard P., *et al. Where Have All the Dollars Gone?* Washington, D.C.: National Institute of Law Enforcement and Criminal Justice, 1976.

Argues that the ease with which general revenue funds can be substituted for local funds means that law enforcement, particularly in large cities, has not grown as much under revenue sharing as it probably would have under categorical grants. Urban areas have used the money to reduce or maintain the level of taxes. Useful in showing how any government policy must mediate between competing goals.

Nathan, Richard P., and Charles F. Adams, *Monitoring Revenue Sharing*. Washington, D.C.: The Brookings Institution, 1975, and *Revenue Sharing, the Second Round*. Washington, D.C.: The Brookings Institution, 1977.

Definitive studies of effects of revenue sharing on state and local jurisdictions. Raises questions which are relevant to less ambitious grants consolidation programs.

Nathan, Richard P. *The Record of the New Federalism: What It Means for the Nation's Cities*. Washington, D.C.: The Brookings Institution, 1974.

Argues that general revenue sharing favors both the general purpose units of state and local governments and the elected officials as opposed to special districts or services. May be useful for identifying some potential unintended effects of consolidation on the political structure.

National Tax Association Seminar, July 22–24, 1971, reported in *National Tax Journal*, vol. XXIV, Sept. 1971.

A series of speeches and articles by politicians and economists on the nature of revenue sharing and its potential problems and benefits. Includes articles by John B. Connally and George F. Bush who identify reasons why states and local agencies should be given greater control over Federal funds. An article by Leon Keyserling points out that general revenue sharing, or any federal grants with limited strings, will fail to achieve federal priorities.

Oates, Wallace E., ed. *Financing the New Federalism:* Baltimore, Md.: The John Hopkins University Press for Resources for the Future, Inc., 1975.

Provides a political and economic analysis of the effects and implications of general revenue sharing. Examines many underlying, hidden and often unexamined assumptions in revenue sharing which may have unintended and undesired consequences. Introduction contains a very useful historical account of the development of revenue sharing.

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